FINANCIAL TIMES

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Ecuador: The economy bounces back out of the gloom, Page 18

World News

Israel to impose sanctions on S Africa

Israel has finally bowed to US pressure by agreeing to sanctions limiting business and diplomatic links with South Africa, according to a report yesterday on Israel state radio. The measures are understood to be far more comprehensive, in theory at least, than had originally been envisaged. Details have not been formally announced.

According to Israeli officials, however, they include a ban on new investment in South Africa, loans to and from it, the transit of South African goods through Israel, the purchase of its coinage and visits by Israeli officials to the republic.

Gulf lull ends

A six-day lull in the Gulf war ended when Iraqi aircraft bombed Iran's main oil terminal at Kharg Island and a tanker off the Iranian coast - within 24 hours of a peace mission to the area by UN Secretary-General Javier Perez de Cuellar. Page 3

Nato accident toll

A British soldier and a West German civilian were killed and 76 people injured in 183 accidents in the first three days of large-scale Nato manoeuvres in northern West Germany, military officials said in Hanover.

Hungary austerity plea

Hungarian leader Janos Kadar admitted personal responsibility for serious economic mistakes in the past and urged Parliament to adopt the Government's severe austerity programme and wide-ranging economic reforms. Page 18

Peruvian strike

About 600,000 Peruvian civil servants began a 48-hour pay strike, closing government ministries and restricting public transport in Lima.

Sri Lanka gunbattle

Indian troops fought a gunbattle with Tamil Tiger militants after they massacred as many as 75 people in the Batticaloa district.

Zimbabwe presidency

Zimbabwe outlined plans to set up a powerful executive presidency - with a six-year term of office - and scrap the post of prime minister in a reform of its 1980 constitution.

Lebanon clash

Syrian-backed guerrillas killed three Israeli soldiers and wounded four in southern Lebanon.

Spanish killings

Gunmen suspected of attempted highway robbery shot dead a motorist, a police patrolman and a paramilitary civil guard at a roadblock near Valladolid, central Spain.

PLO denounces US

The Palestine Liberation Organisation denounced a US decision to close its Washington office - because of what Washington described as PLO support for terrorism - saying the move resulted from pressure by pro-Israeli lobbyists.

Soviet harvest hit

The 1987 Soviet grain harvest was in trouble because heavy autumn rains had prevented farmers from threshing the crop on schedule, and the sowing of the winter crop was also being delayed, the government newspaper Izvestia said.

Iceland hunts whales

Two Icelandic whaling boats began hunting sei whales after Iceland and the US resolved a dispute over Reykjavik's decision to resume whale hunting for scientific purposes.

Suicide honoured

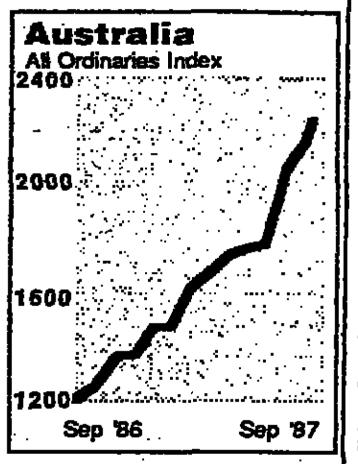
More than 200,000 Indians defied a government ban to honour an 18-year-old bride who sat on her husband's funeral pyre and was burned to death in a village in western Rajasthan state. The women's self-immolation, seen as the final act of fidelity in ancient India, has been outlawed for centuries.

Business Summary

Henkel and Colgate in French joint venture

HENKEL, West German speciality chemicals and detergents group, has reached agreement with Colgate-Palmolive of the US on a French joint venture to manufacture the household care products of Lesieur-Coteile, French washing and detergents company which Henkel bought in June for FFr2.05bn ($328m). Page 19

AUSTRALIA'S share market soared to record highs in reaction to the near-balanced budget and interest rate cuts announced on Tuesday. The All Ordinaries Index gained 43.4 points to close at a record 2,274.4. Markets soar, Page 3; Stock markets, Page 40



LONDON: Strong industrial production figures and a lower than expected PSBR figure for August lifted equities. Gilts rallied from a weak opening to close steady. The FT-SE 100 index closed up 15.3 at 2,279.8 and FT Ordinary index rose 14.8 to 1,790.2. Details, Page 36

TOKYO: After a weak opening, share prices rallied to close marginally higher on demand for high-technology issues. The Nikkei average closed up 13.71 at 24,967.73. Page 40

WALL STREET: The Dow Jones industrial average closed down 38.39 at 2,530.19. Page 40

GOLD fell in London to $458.50 from $459.50. It fell in Zurich to $458.55 from $459.05. Page 28

DOLLAR closed in New York at DM1.8140, Y143.75, FFr6.0485, SFr1.5055. It was unchanged in London at DM1.8155 and SFr1.5055, but rose to Y144.35 (Y144.00) and fell to FFr6.0525 (FFr6.0575). On Bank of England figures the dollar index was unchanged at 101.0. Page 29

STERLING closed in New York at $1.6460. It rose in London to $1.6455 ($1.6425); FFr9.9600 (FFr9.9500); SFr2.4775 (SFr2.4725); DM2.9875 (DM2.9825); Y237.50 (Y236.50). The pound's exchange rate index rose 0.1 to 73.1. Page 29

EQUITICORP, New Zealand banking and investment group, has increased its bid for Guinness Peat Group, UK banking and fund management group. Page 19

LORIMAR-Telepictures, California-based television producer, has agreed to sell its three advertising agencies, Kenyon & Eckhardt, Poppe Tyson, and Bozell, Jacobs, to a Bozell management group for a total of $143.2m. Page 19

BETHLEHEM STEEL, third biggest US steel company, is planning to issue 12m shares of new equity, a move which will increase its common stock outstanding by 23 per cent. Page 19

TELEFONICA, Spanish telecommunications group facing a heavy capital investment programme, plans shortly to announce a major rights issue, possibly to raise Pta75bn ($615m). Page 21

MAN, West Germany's biggest mechanical engineering group, raised group net profits by 5 per cent to about DM130m ($72m). Page 21

CREDIT Industriel et Commercial, France's sixth largest banking group, is to reorganise its capital structure in the next few weeks to enable it to privatise some of its profitable subsidiaries. Page 21

Caspar Weinberger: resignation of procurement chief a setback.

Pentagon arms procurement chief to quit

BY DAVID BUCHAN, DEFENCE CORRESPONDENT, IN LONDON

THE CHIEF of US defence procurement, overseeing an arms development and acquisition budget of some $140bn a year, is to resign in protest at the failure of Mr Caspar Weinberger, the Defence Secretary, to back him against the entrenched interests of individual service chiefs.

A Defence Department spokesman confirmed yesterday that Mr Richard Godwin, the Undersecretary for Defence Acquisition, had decided to leave, and that the White House would soon announce the decision.

The departure of Mr Godwin, installed only a year ago in a new Pentagon number three position as "procurement tsar", is likely to set back seriously the Reagan Administration's much heralded drive to streamline the vast 150,000-strong procurement bureaucracy, which places more than 15m contracts with US and foreign industry a year.

The procurement reform movement gathered steam after myriad revelations of waste, mismanagement and fraud accompanying the big Reagan defence build-up of the early and mid-1980s. The presidential commission on defence purchasing, headed by Mr David Packard of the Hewlett-Packard electronics company, last year recommended wide-ranging reforms, one of which was the creation of the post which Mr Godwin has occupied.

Reform efforts suffered a further setback with the resignation last week of Mr Albert Brandenstein, head of the prototyping office of the Defence Advanced Research Projects Agency (DARPA). The Packard commission had urged that more "fly-before-buy" prototypes of aircraft be built before procurement decisions were taken, to avoid the problems caused by simultaneous development and production in such systems as the B-1 bomber or the cancelled British Nimrod

Ironically, Mr Godwin came to the Pentagon from the same Californian construction company, Bechtel, as Mr Weinberger. But the root of the problem, many observers believe, is that Mr Weinberger is fundamentally uninterested in defence procurement, seeing his main task as supervising the raising of defence money rather than spending it. In this climate the traditional decentralisation of US defence procurement has flourished, and Mr Godwin was apparently never able to stop procurement chiefs of the three services appealing over his head to Mr Weinberger and his deputy, Mr William Taft.

While Congress may take a dim view of the factors leading to Mr Godwin's resignation, nonetheless much of the power of the army, navy and air force to resist central Pentagon authority stems from the allies those individual services have on Capitol Hill.

Austrian group plans arms factory in Iran, Page 18

Indication of progress in talks on arms control

By Robert Mauthner and Stewart Fleming in Washington

MR GEORGE Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number, indicated yesterday that some progress had been made in their talks on arms control and other issues, but refused to give any details.

Their three-day meeting, which is due to end today, is widely expected to lay the foundations of an agreement for the worldwide elimination of all intermediate-range nuclear forces (INF). The aim is that such an agreement would be signed at a summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader, before the end of the year.

However, officials have refused to speculate about the date for a summit meeting, which Mr Shevardnadze has said is "necessary". Both sides have emphasised that the fixing of a summit date was not their first priority. Their main objective was to make substantive progress on the subjects under discussion, particularly arms control.

The two ministers began the second day of their meeting with tete-a-tete discussions lasting more than three hours, at which only interpreters and note-takers were present. The ministers reviewed reports from their experts, who had met late into Tuesday night in separate working groups on arms control, bilateral relations and humanitarian problems. A special sub-group on nuclear testing has also been set up.

While declining to give any details about the specific areas in which progress is reported to have been made, Mr Charles Redman, the State Department spokesman, admitted that the main focus of the discussions continued to be arms control problems. The talks had continued to be "very businesslike, straightforward and constructive," he said.

Under the INF agreement which the two ministers have been discussing, all medium-range missiles with a range of 500 to 5,000km would be abolished by the Soviet Union and the US, including the Soviet SS-20 rockets targeted on Europe and the US Cruise and Pershing 2 missiles deployed in Western Europe over the past few years.

The remaining points of disagreement include the timetable for the phasing out of the missiles, the verification system which would ensure the implementation of the agreement, and the problem of what should be done about US-controlled warheads for West German Pershing 1A missiles.

Top Aquino ministers go after Cabinet consensus crumbles

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino of the Philippines yesterday sacked Mr Jaime Ongpin, the Finance Minister, in the first stage of revamping her Cabinet and trying to revitalise her crisis-torn Government.

Mr Salvador Laurel, the vice-president, also announced he would not be retaining the foreign affairs portfolio and would cease to be a Cabinet member because of irreconcilable differences with Mrs Aquino.

The changes are the first since consensus in the Administration finally disintegrated last week when the entire cabinet offered to resign 13 days after a failed military coup. It is Mrs Aquino's most serious crisis since she came to power 18 months ago.

The new Finance Minister is Mr Vicente Jayme, until now the secretary of Public Works and Highways, and formerly a respected banker and President of the government-owned Philippine National Bank.

Mr Ongpin was widely expected to be sacrificed in the reshuffle along with Mr Joker Arroyo, the Executive Secretary and Mrs Aquino's closest and most powerful adviser. His fate has not yet been announced.

Yesterday's changes are not likely to dispel the uncertainty that has accompanied the long delay in deciding which Cabinet resignations to accept. Mrs Aquino gave no indication why she had accepted Mr Ongpin's resignation. Bankers and analysts were puzzled over why she chose to announce Mr Ongpin's exit in advance of other changes.

Since the failed coup, the Manila stock market index has fallen by 28 per cent. Half of this drop occurred this week, reflecting growing nervousness about the delay in forming a Cabinet.

During a live television broadcast yesterday, Mrs Aquino made no mention of Mr Arroyo. He has been widely criticised in business and church circles as a divisive and obstructive influence in the Cabinet. His removal is most strongly demanded by the military and the leaders of the failed coup who have still not been captured.

Mr Laurel yesterday pre-empted Mrs Aquino by publicly resigning during a press conference in what is widely viewed as his first step towards open revolt.

He cited fundamental policy differences, particularly over Mrs Aquino's handling of the 18-year-old Communist-led insurgency. Mr Laurel has largely been bypassed in Cabinet and has barely disguised his ambition to be president.

It is unclear why he chose this time to distance himself so visibly from Mrs Aquino, but since the coup has made an extensive tour of military bases during which he has appeared to be raising opposition to Mrs Aquino and ensuring that his own relations with the army remain good.

He was supposed to have been looking into the grievances that the army mutineers claim lay behind their revolt.

Mr Jayme will be plunged straight into the Philippines debt crisis which caused Mr Ongpin so much trouble at home. The renegotiation of $13.2bn of debt is currently entering a critical final stage.

The newly elected Congress has tabled bills calling for the debt restructuring deal to be changed, either to limit the allocation of foreign exchange for debt servicing to 10 per cent of export earnings, or to allow for selective repudiation of debts. These controversial bills are still being debated

In her television address Mrs Aquino strongly defended her handling of the anti-insurgency policy, pointing out that in at least three major speeches this year she has called for an all out offensive against the Communist guerillas.

Editorial comment, Page 16

British growth continues to accelerate

BY PHILIP STEPHENS IN LONDON

AN ACCELERATING pace of economic growth in Britain and brightening prospects for tax cuts in next year's budget were underlined yesterday by official figures showing a surge in manufacturing output and buoyant government revenues.

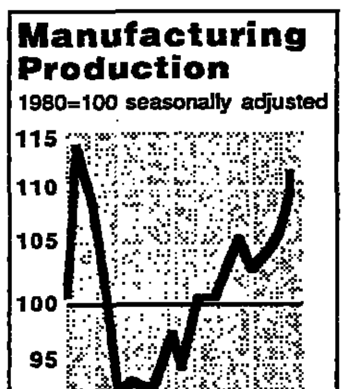
The Central Statistical Office estimated that manufacturing output grew at an underlying annual rate of 5 to 5½ per cent in the three months to July.

Meanwhile the Treasury announced that its cumulative public borrowing in the first five months of the current 1987-88 financial year was only £1.4bn ($2.3bn) compared with £3.6bn in the same period in 1986-87. That suggests a substantial undershoot in its £4bn target for the whole of this year, which would pave the way for sizeable tax cuts in the next budget.

In the City of London, the two sets of statistics were seen as generally positive, although there is still some concern that the present rate of growth puts the economy in danger of "overheating." Mr Bill Martin, senior economist at securities house Phillips & Drew, said the borrowing outturn for the year was now likely to be only £2bn.

The CSO figures show a rise in manufacturing output of 1.6 per cent in July and include substantial upward revisions to its estimates for previous months. Output is now finally back to the levels of its previous peak in 1979, with the latest increases offsetting the remaining impact of the deep recession of 1980-81. A 19 per cent rise since the trough of the recession in 1981, however, has still left it below the record high seen in 1974.

Between May and July, manufacturing industry produced 1.5 per cent more than in the previous three months and 5.9 per cent more than in the same period of 1986.



Statisticians at the CSO believe that the July figure itself may be erratically high, perhaps reflecting a faulty seasonal adjustment in the compilation of the statistics. They appear confident, however, that the underlying trend of output growth is now up to 1 percentage point higher than their previous estimate of 4½ per cent.

In the latest three months growth has been particularly strong in the motor vehicles and parts industry where output is nearly 11 per cent higher than a year earlier, in metal manufacturing (up 10.6 per cent) and in the paper, printing and publishing industry (up 6.7 per cent).

Yesterday's figures also show a pick-up in total industrial production, reflecting a rebound in North Sea oil output. That is likely to reinforce the Treasury's view that the economy

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Finsider seeks $3.8bn state aid

BY JOHN WYLES IN ROME

FINSIDER, the Italian state steel company, is asking the Italian Government to provide L5,000bn ($3.8bn) to recapitalise its business in the face of operating losses which are close to setting a record this year.

If approved, the money would have to be allocated in the 1988 budget proposal due at the end of the month, and comes at a time when ministers are searching desperately for cuts to help bring down a public sector deficit which looks to be heading for an unprecedented L130,000bn next year.

The Finsider request is understood to have been channelled through IRI, the giant Italian state holding company, a spokesman for which would neither confirm nor deny the approach yesterday. It would be bound to bring Italy into further conflict with the European Commission over steel financing.

The new capital is needed to counter losses which totalled L2,121bn in 1985 and 1986 and which this year look likely to reach L1,500bn, a deficit previously exceeded only in 1984. This week, Italsider, the main operating subsidiary, reported first half operating losses alone of L514bn.

Operating subsidies have been outlawed by the European Community since the end of 1985 and the Commission is already challenging L2,000bn allocated to the public steel industry in the 1987 budget.

The IRI group now recognises that approval for further financing can only be purchased by some radical restructuring which will have to be negotiated in the context of the Commission's plan to reduce the Community's total steel capacity by a further 30m tonnes.

IRI installed a new president and managing director at Finsider in July and since then the two men, Mr Mario Lupo and Mr Giovanni Gambardella, have been reviewing their inheritance. This includes a three-year recovery plan submitted to IRI in June which seriously underestimated the 1987 losses at L883bn. That plan included a recapitalisation request for L3,800bn.

It avoided any very specific commitments on closures because the issue is so politically sensitive. The new management

Continued on Page 18

Briton appointed to top EC job

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Commission yesterday appointed Mr David Williamson, top adviser on EC affairs to Mrs Margaret Thatcher, the British Prime Minister, to the key post of Secretary-General - in effect, head of the Brussels bureaucracy.

The controversial move, in the light of Mrs Thatcher's frequent clashes with the Commission and other EC member states over budget spending, was approved by a large majority of the Commissioners meeting in closed session at the European Parliament in Strasbourg.

Mr Williamson takes the place of Mr Emile Noel, the top French civil servant and legendary eminence grise of EC affairs, who has held the job since the founding of the Community 30 years ago.

Highly placed Commission officials see the appointment as a deliberate olive branch to the UK, as well as a recognition of Mr Williamson's skills as a consummate and strictly independent civil servant.

His sole rival for the job, Mr Horst Krenzler, the West German deputy secretary-general, who was strongly backed by Chancellor Helmut Kohl, becomes head of the directorate-general responsible for external relations - formerly a British post.

The national balance in the top posts of the Commission is maintained by appointing a Frenchman, Mr Jean-Louis Dewost, as head of the legal service. He moves from the same role at the EC Council of Ministers.

Mr Claus-Dieter Ehlermann, the present head of the legal service, and once regarded as another strong German contender for the top job, has been seconded to a special role of ad-

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CARRIAN, NOW THE HONG KONG INQUEST BEGINS

Former chairman George Tan, one of six accused cleared of complex fraud charges, Page 2

Europe fails to agree on US space station plan

By Peter Marsh

HOPES ARE fading that a meeting of West European technology ministers in November will ratify plans for joint development with the US of an $18bn manned space station.

At a five-day gathering with US representatives last week the 13 nations of the European Space Agency failed to make any progress in resolving the problems that have dogged the discussions over the past two years.

Mr Jean Arets, ESA's head of international affairs, said on Tuesday that "nothing happened" at the gathering in Frascati, near Rome, to meet European countries' demands over the station.

ESA wants the US to give it a significant say in managing operations on the orbiting base, which is due to house laboratories for scientific experiments and platforms for Earth observation.

Mr Arets said the two sides were "still some way apart" from reaching agreement over the station, development of which is due to start early next year with the base due to be launched in the mid-1990s.

The lack of headway last week results from US insistence that, as it is due to put up the bulk of the funds for the base, it should be firmly in control of managing the structure.

It also wants to reserve the right to use the structure for military experiments, to which many of the European nations object.

Pessimism from the European side makes it unlikely that a final agreement on the station — to which Japan and Canada are also due to make contributions, with the US putting up about $14bn of the total cost — will be reached before the November deadline.

In that month, ESA ministers plan to meet in The Hague to approve plans for the station. At about the same time, the US is due to award roughly $10bn-worth of contracts to US aerospace companies concerning station development.

The US National Aeronautics and Space Administration which, with the State Department, is handling the US side of the discussions, said it still hoped agreement would be reached as planned.

The department said that there might still be time, if ESA had any further problems over the negotiations, to fix up a further meeting with the Europeans before a gathering in Washington on October 7-9 which is due to finalise agreement on the station.

● Europe's space industry breathed a sigh of relief yesterday after the launch of Ariane, the West European rocket. It was the vehicle's first successful mission since March last year.

Ariane, which took off from the European Space Agency's rocket station in Kourou, French Guiana, had been grounded since a failure in May 1986, one of a series of rocket faults which has contributed to two years of gloom for the satellite business.

The rocket lifted into orbit two telecommunications satellites, for Eutelsat, a group of European telecommunications authorities, and for the Australian government.

Ariane clears the way, Page 6

Greece cuts industrial labour costs

By Andriana Ierodiaconou in Athens

THE ECONOMIC stabilisation programme introduced by the Greek Government two years ago will have reduced real manufacturing unit labour costs by 4.4 per cent in 1986 and 3 per cent this year, according to a European Commission report on the competitiveness of the Greek economy. A summary of the report was released in Athens yesterday.

The stabilisation programme included a near freeze on wages, which ends in December, and a 15 per cent devaluation of the drachma.

However, the report says the improvement of the past two years is not substantial enough to counter the losses of the period between 1979 and 1985, during which unit labour costs for Greek manufacturing increased by an annual average of 4.7 per cent, against an average annual decrease of 2.4 per cent for the European Community as a whole.

During the same period productivity in Greek manufacturing fell by an average 1.4 per cent per year, while employment increased by 0.8 per cent annually. By contrast, for the EC as a whole, productivity increased by an average 3 per cent a year, while employment fell by 2.6 per cent annually during the same period.

The report notes that the October 1985 devaluation of the currency boosted exports in 1986 and this year, but has had only a small impact on the volume of imports.

Ian Davidson on a ground-breaking Franco-German defence exercise

Paris and Bonn get into step

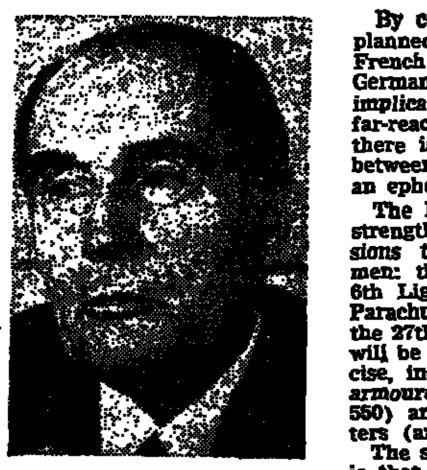
FRANCO-GERMAN defence co-operation takes a step forward next week with the first-ever large-scale joint Franco-German military exercise, numbering 55,000 West German soldiers and 20,000 French.

Apart from its sheer size, the exercise, *Moineau Hardi*, or Bold Sparrow, will break new ground in at least three ways. It will sybolise France's growing readiness to endorse, at least obliquely, a political obligation to take part in the forward defence of West Germany. Ever since General de Gaulle took France out of the North Atlantic Treaty Organisation in 1966, French insistence on its freedom to stand aside from any European conflict has bee na bone of contention with its allies.

Second, the exercise will underline the new readiness to acknowledge a political commitment to the defence of West Germany by placing French troops, during the crucial final phase of the exercise, under German command.

Third, it will test the effectiveness of the French Force d'Action Rapide (FAR), which was created in 1983 specifically to enable France to intervene speedily with mobile troops in Germany.

The decision to hold the exercise was announced 18 months ago by President Francois Mitterrand and Chancellor Helmut Kohl in Paris. They are expected to mark the conclusion of the exercise with a ceremony on September 24.



Francois Mitterrand: ready for obligations

Earlier this year Chancellor Kohl suggested the formation of a mixed Franco-German brigade as a way of tightening the defence links between the two countries. While it remains unclear how it could be set up in practice, it seems probable that the idea will be given further impetus if the joint exercise proves successful.

One if the impediments to a joint brigade, as at first perceived by some outside observers, was that of command. It now appears, according to French official sources, that the brigade would be under French command.

By contrast, in the scenario planned for *Moineau Hardi*, the French units are to be under German command. The political implications may not be all that far-reaching, however, because there is obviously a difference between a permanent unit and an ephemeral exercise.

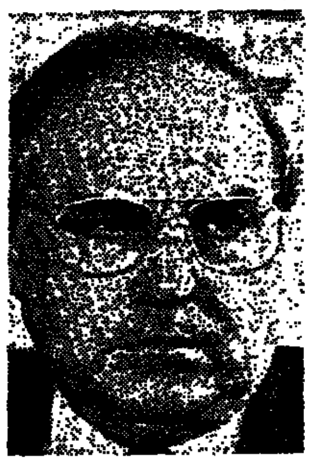
The FAR consists, in its full strength, of five specialised divisions totalling around 47,000 men: the 4th Aeromobile, the 6th Light Armoured, the 11th Parachute, the 9th Marine, and the 27th Alpine. The first three will be taking part in the exercise, including virtually all its armoured vehicles (around 550) and its anti-tank helicopters (around 240).

The scenario for the exercise is that the 1st German Mountain Division faces difficulty in beating off an attack from the East, calls on France for reinforcements, and (as a discrete act of French choice) is given command over those units of the FAR which are mobilised.

The units of the Force d'Action Rapide will start by being mobilised in France, and cross over into Germany on Sunday.

When the FAR was announced in 1983, French official commentary stressed its potential role in intervening overseas, as it might be in Chad, whereas its potential utility for intervening in the forward defence of Germany was downplayed.

The size and configuration of the force, with its tanks and anti-tank helicopters, showed clearly that the real order of priorities was the other way round, but no French government was yet ready to admit any crack in France's long-standing opposition to a commitment to the forward defence of Germany.



Helmut Kohl: suggested Franco-German brigade

That commitment is still far from automatic, but the public relations presentation of the exercise shows how much ground has been travelled in the past four years. A joint military communique issued before the exercise said: "By the participation of the FAR, France shows that she is ready, at the side of the Federal Republic, to repel an aggression and defend freedom. . ."

Nato exerts manoeuvre inspection rights

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

NATO is making fuller use than the Warsaw Pact of a key aspect of the 1986 Stockholm confidence-building agreements, with Britain following the US in making "challenge" inspections of Soviet bloc military exercises.

Four UK military observers returned on Sunday from a 48-hour challenge inspection of a joint Soviet-East German exercise in the Cottbus-Juterborg area of East Germany, the UK Defence Ministry disclosed yesterday.

Each of the 36 countries participating in the Stockholm accords has the right to challenge another, once a year, if it suspects the other of violating the provisions that exercises of 13,000 or more men must be notified publicly, and exercises of 17,000 or more men must be open to international observation.

The Soviets and East Germans had notified co-signatories of the Conference on Disarmament in Europe (CDE) that their current joint exercise would consist of 13,500 Soviet men and 500 East Germans. Evidently, the UK suspected the number was more, and made a request for a challenge inspection, which under CDE cannot be refused. The ministry would not say yesterday whether their experts on Soviet force structures found justification for the suspicion.

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Last month the US carried out a similar challenge inspection of a Soviet exercise near Minsk in Byelorussia, which the Soviets had advertised as involving 15,000 men. Independent military experts expect both sides to benefit from exercise inspections.

Warsaw Pact manoeuvres have always been more predictable than those of Nato, which practices more free-form tactics than the East. Thus, Pact observers, currently in West Germany for the notified Nato Certain Strike exercise involving some 80,000 troops, have showed by their quizzing of Nato commanders their interest in the relative spontaneity of Western manoeuvres.

EC-Soviet thaw to continue

BY QUENTIN PEEL

THE THAW in relations between Moscow and the European Community—long deliberately ignored by the Soviet Union was underlined yesterday with the announcement that a high-ranking Soviet delegation is to visit the European Parliament and other institutions next month.

Five members of the Supreme Soviet and three members of the Committee for Co-operation and Security in Europe, as well as other officials, will be involved in the visit at the invitation of the Socialist group in the parliament.

They will have talks with the Socialist, Christian Democrat and Communist groups in the parliament.

Soviet officials in January held their first round of talks with the European Commission as a prelude to formal recognition of the Community, and several rounds of talks have been held aimed at a formal agreement between the EC and Comecon, the Soviet-dominated trading bloc.

Lord Plumb: Moscow visit expected

The main difficulty outstanding is how to include the so-called Berlin clause in any agreement, which includes West Berlin as part of the territory of the EC. Comecon negotiators are understood to have said they can live with the clause, but they want it in an annexe rather than in the main agreement.

The other problem is how to maintain a twin-track approach, with bilateral agreements being negotiated with each Comecon member state at the same time as the institution-to-institution agreement.

The Soviet delegation next month will talk about EC-Comecon relations, human rights, the arms race, and the wider international situation.

Lord Plumb, the president of the parliament, is expected to follow up the visit by travelling to Moscow to invite Mr Mikhail Gorbachev, the Soviet leader, to address the parliament.

Glaxo patent move challenged

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday challenged attempts by Glaxo, the UK pharmaceuticals group, to stop cheap imports of Italian copies of its drugs.

Brussels told a preliminary hearing at the European Court of Justice in Luxembourg that Allen and Hanburys, a Glaxo subsidiary, was contravening EC rules against restrictions on trade between member states.

It was putting its arguments in a case brought by the UK Government, which wants clarification from the court on whether British companies should be allowed to ban imports of products that infringe patents. The court's ruling is expected by next spring.

Allen and Hanburys holds the UK patent for salbutamol, an asthma treatment sold as Ventolin. Other Glaxo divisions hold similar patents in all EC member states except for Italy, where it was not possible to get such protection for pharmaceuticals when the drug was invented 20 years ago.

The legal battle started when an independent drugs supplier, Generics (UK) started three years ago to import low cost Italian copies of salbutamol. This was without Allen and Hanburys' permission, though Generics did make an unsuccessful attempt to agree on a licence.

The Glaxo subsidiary obtained an injunction against Generics' salbutamol imports from the House of Lords, later challenged by Generics, on the grounds that it contravened EC rules against "arbitrary discrimination" on trade between Community countries.

However, Allen and Hanburys maintains that it should not be put at a disadvantage just because salbutamol could not be patented in Italy, especially in view of the fact that Generics does not have to adjust its prices to recover the research and development costs put in by the drug's inventors.

Swedish inflation jumps to 5%

By Kevin Done in Stockholm

SWEDEN'S inflation rate jumped again in August to 5 per cent, the highest level since February 1986 according to the latest figures released by the Central Office of Statistics (SCB).

The sharp jump in prices in July and August, which has followed the gradual relaxation of the prices freeze imposed last January, means that prices in Sweden are again rising faster than in its eight major trading partners.

The increase in consumer prices is arousing concern that Sweden's international competitiveness could be further eroded next year by inflationary wage settlements, when the present two-year agreements are renegotiated.

Sweden's trade balance also weakened in August and showed a deficit of SKr 1.6bn (£152m) compared with a surplus of SKr 400m a year earlier. The value of exports was unchanged compared with August 1986, while the value of imports jumped by 10 per cent.

For the first eight months of the year the value of exports rose by 3 per cent, while the value of imports rose by 8 per cent, resulting in a decline in the trade surplus to SKr 17bn from SKr 23bn in the corresponding period last year.

Industrial production has increased strongly in the first half of the year having largely stagnated in 1985-86. In the first six months of 1987 industrial production was 3.2 per cent higher than a year earlier, according to figures from the SCB.

Confident Balladur presents budget

BY IAN DAVIDSON AND GEORGE GRAHAM IN PARIS

MR EDOUARD BALLADUR, French Finance Minister, yesterday painted a confident picture of the outlook for the French economy, when he presented a budget for 1988 which is designed to bring the deficit down from FFr 129bn or 2.47 per cent of gross domestic product in 1987, to just under FFr 115bn in 1988 or 2.1 per cent of GDP.

Next year, he forecast, the French economy will grow by 2.2 per cent, representing a sharp recovery from this year, when the growth rate will have slipped to 1.5 per cent, as well as an improvement on 1986 when it was 2 per cent.

Mr Balladur also emphasised three other encouraging features of the economic outlook for 1988. The rate of inflation which, after accelerating slightly this year from 2.1 to 3.4 per cent, is expected to slip back again to 2.5 per cent; corporate investment, which has been running subject of political controversy, is expected to pick up from 3 per cent this year to 3.7 per cent in 1988.

FRENCH GOVERNMENT ECONOMIC FORECASTS GROWTH PER CENT UNLESS OTHERWISE INDICATED

	1986	1987	1988
GDP	2.0	1.5	2.2
Consumption	3.2	1.6	1.5
Company investment	4.0	3.0	3.7
Consumer prices	2.1	3.3	2.5
Trade balance (FFrbn)	−0.5	−32	−32

Finally, he forecast that exports, which fell back last year and have grown only sluggishly this, will accelerate sharply in 1988 by 4.5 per cent, whereas the growth of imports will continue to decline from 5.1 per cent this year to 3.7 per cent next.

Mr Balladur said that the Government had broken the vicious circle started by the Socialist government which had consistently over-estimated its receipts and under-estimated its deficit.

Total expenditure in next year's budget is scheduled to go up by 2.78 per cent, from FFr 1,054bn to FFr 1,083bn. But the deficit is intended to come down from FFr 129bn to FFr 115bn, by virtue of a 4.73 per cent increase in revenue, from FFr 925bn to FFr 968bn.

This increase in revenue will be made easier because the outturn for 1987 shows significantly more buoyant revenue than originally forecast, notably in an increase in receipts from income tax of around 4.7 per cent, from FFr 212bn to FFr 222bn.

The main spending priorities in next year's budget will be training and employment, with an increase of 11.5 per cent, overseas development aid, with an 11.5 per cent increase, which will take French aid up to 0.54 per cent of GDP, and research, on which expenditure will rise 10.3 per cent.

Mr Balladur said that the weight of the tax burden in France would have dropped from 17.5 per cent of gross domestic product in 1986 to 17.2 per cent this year and 16.9 per cent in 1988.

Documents published separately by the Finance iMinistry, however, showed that while central government taxation had fallen in importance, local taxes have risen to 5.9 per cent of GDP this year.

Opec 'cuts September output by up to 9%'

OPEC, scared by a drop in prices, had cut production this month by between six and nine per cent from August, market experts said on Wednesday, Reuter reports from London.

A move to stricter adherence to cartel-mandated output quotas had been made but the drop in output might only be temporary, the analysts said.

August output jumped as Gulf tension sent prices higher, tempting some Opec members to overshoot quotas.

Refiners rushed to increase emergency stocks in case supplies were disrupted but no disruption occurred which left the stocks unsold, pressuring prices.

Industry analysts assessed August Opec output at up to 19.6m barrels a day, against a cartel-projected ceiling of 16.6m.

September levels could be down at 18 to 18.5m market experts said, although an Iraqi plan to export more through a new Turkish pipeline across Turkey could later bring it higher.

North Sea crude prices are a good barometer. Crude from Britain's Brent field was quoted around $18.55 a barrel on Wednesday, up a dollar from August lows to which the excess supply sent it.

Also underpinning the oil price, Iraq yesterday raided Iran's oil terminal at Kharg island in the Gulf, ending a six-day lull in attacks on Iran's oil facilities.

But stocks of oil in the 24 industrial nations of the Organisation for Economic Cooperation and Development (OECD) are thought to have risen as much as 2.5m barrels daily in August, taking them to comfortable levels.

Mr Rilwanu Lukman of Nigeria, the Opec president, has said the cartel overproduced only by around 1.2m barrels a day in August.

After complaints about overproduction by some members, notably Saudi Arabia and Iran, Opec is sending Mr Lukman and the oil ministers of Venezuela and Indonesia to visit the heads of state of all members to urge compliance with quotas next month.

The tour is crucial for Opec one analyst said. He said Opec could pump 18 to 18.2m barrels daily this month.

Spain acts to halt outbreak of horse disease

SPAIN began vaccinating horses yesterday to check an outbreak of equine African plague which killed 70 animals this month, Agriculture Ministry officials said, Reuter reports from Madrid.

Some 25,000 vaccines were flown from South Africa after it was discovered that the vaccine was apparently unavailable in Europe, where the disease had been eradicated.

France and Portugal, which border Spain, have closed their frontiers to Spanish horses in an effort to contain the disease, which is carried by mosquitoes and also affects mules and asses.

Veterinary services are investigating reports that the disease was carried by zebras shipped from Namibia to the Portuguese port of Lisbon for a safari park in Spain. Several provinces have banned the transport of horses and cancelled horse fairs and show jumping events.

OECD price rises slow

Stable food prices helped slow inflation in the 24 leading non-communist industrial nations in June and July, the Organisation for Economic Co-operation and Development said in its latest report, Reuter reports from Paris.

Consumer prices rose on average by 0.2 per cent in June and 0.1 per cent in July, slowing from increases of 0.6 per cent in April and 0.3 per cent in May, the report said.

French trade deficit shrinks in August

FRANCE'S foreign trade deficit shrank last month to FFr 1bn (£100m) after seasonal adjustments, George Graham reports from Paris.

Flourishing exports and a decline in imports helped to restore the country's trade performance after the substantial deficits recorded earlier in the summer, and Mr Michel Noir, Trade Minister, said he hoped for a return to surplus by October.

The total trade deficit for the first eight months of 1987, however, is FFr 23.8bn after seasonal adjustments, compared with a shortfall of only FFr 900m in the same period of 1986.

Exports in August climbed to FFr 76.5bn, up 9.9 per cent over the past three months, while imports fell slightly to FFr 77.6bn.

Accountants see off world tide of litigation

BY RICHARD WATERS

THE DECISION of a Hong Kong court this week not to prosecute two Price Waterhouse auditors is the latest signal that acountancy firms around the world are successfully fighting off the waves of litigation that have threatened to overwhelm them.

Two other judgments recently—over Continetal Illinois bank in the US and property developer Cambridge Credit in Australia—reinforce this trend. Auditors hope that these will make would-be litigants think twice.

Writs have flown from all sides against auditors this decade. The firms' insurance cover against negligence payouts has proved as much a hindrance as a blessing. With companies and their directors vanishing into the financial equivalent of a black hole, the auditors (and their deep-pocketed insurers) are the only ones left for the creditors to sue.

The result has been a wave of calls in the US, the UK and Australia for firms to be given some measure of legal protection.

Carrian marked a new departure: two Price Waterhouse employees faced criminal charges of conspiracy, in addition to the writ of negligence against the firm. The throwing out of the criminal charges, along with other recent judgments, will give auditors renewed confidence.

A case against Price Waterhouse brought by the Carrian liquidators, fellow accountants Arthur Young, has still to be heard. But the firm believes that the judge's comments in dismissing the criminal charges stand it in good stead.

The Carrian collapse involved deception, said Mr Justice Barker: "Deception is the antithesis of conspiracy. If anything, there was a conspiracy against the audito

"We're delighted the judge has seen it our way," said a spokesman for Price Waterhouse in Hong Kong. "There is no question that it will affect our position regarding the civil case."

A suit against an audit firm appears to have been brewing behind just about every other major corporate collapse this decade. The cases are now coming to court and there are signs that the auditors are coming out on top.

A case against Ernst & Whinney, auditors of Continental Illinois, was thrown out by a US court earlier this summer. The case, for $210m, was brought by the Federal Deposit Insurance Corporation and shareholders of the bank, which was bailed out at a cost of $4.5bn in 1984.

The FDIC had alleged that Ernst was negligent in its 1981 audit in failing to spot Continental Illinois' $1bn relationship with Penn Square Bank. It was Penn's collapse that nearly sank Continental Illinois.

Other cases have not all gone in the auditors' favour. Alexander Grant, the US arm of Grant Thornton, has settled all but two of 20 outstanding cases over ESM, a government securities house. Total payments b the firm are $83m so far.

The ESM case is exceptional. The Alexander Grant partner responsible for the handling of ESM admitted fraud, laying his fellow partners open to claims. At one stage claims from creditors and shareholders totalled more than $1bn.

The bad news may not be over yet. Britain's two largest writs—one brought by the Bank of England against Arthur Young over Johnson Matthey Bankers, the other against Arthur Andersen over De Lorean—have yet to be fought in court or settled out of it.

"I don't think the practice of having to go against the auditors has ended," said Mr Jeffery Bowman, senior partner of Price Waterhouse in London. "But the general lesson is, when you read about large claims, they normally come to very little."

Some outstanding law suits against auditors

	Defendant (and country)	Amount (where known)
American Reserve	Arthur Andersen/ Coopers & Lybrand/ Alexander Grant (US)	$100m
Ballingarry Mine	Peat Marwick Intl.	$158m
Canadian Commercial Bank	Clarkson Gordon (Arthur Young Canada)	—
Carrian	Price Waterhouse (Hong Kong) and PW Intl.	—
De Lorean	Arthur Andersen (UK)	$260m
Johnson Matthey Bankers	Arthur Young (UK)	—
Insurance Corporation of Ireland	Ernst & Whinney (Ireland)	—
Penn Square Bank	Peat Marwick (US)	$130m
Overseas Trust Bank	Coopers & Lybrand (Hong Kong)	—
Wedtech	Main Hurdman (now part of Peat Marwick) (US)	$70m
Wedtech	Touche Ross (US)	$35m

Carrian prosecution goes on trial

David Dodwell on an inquest into the failure of Hong Kong's longest and costliest fraud case

"CARRIAN: the inquest begins" said the front-page headline of the South China Morning Post, Hong Kong's leading English-language newspaper yesterday after Mr Justice Barker's decision to acquit the six defendants in the British colony's longest and most expensive fraud trial.

The inquest will be inside the Hong Kong Government, whose legal department has put more human and financial resources into this case than any other.

It will focus not just on the issues of whether the prosecution case was mishandled, and whether the case justified the HK$27m (£2.1m) spent from the public purse, but on the wider issue of the problems of prosecuting complex fraud.

It is likely to revive proposals for simplification of the prosecution of complex commercial crime which were shelved a year ago after opposition from the public and the legal profession. These would have replaced juries with a judge sitting with two independent assessors. A new bill is understood to be almost ready to be released.

Carrian Investments, a property and shiping group that grew from insignificance in 1977 to become one of Hong Kong's most prominent companies, collapsed in 1983 with debts of about HK$10bn.

Allegations of conspiracy to defraud shareholders were brought first against its former chairman, Mr George Tan, and Mr Bentley Ho, Mr Tan's right-hand man, and then later the Brothers Rogerio and Steven Lam, business associates of Mr Tan, and two acountants with Price Waterhouse in Hong Kong who were responsible for auditing the Carrian accounts.

The collapse of Carrian embarrassed the Malaysian Government when it was found that Bumiputra Malaysia Finance (BMF), the Hong Kong-based subsidiary of Malaysia's biggest bank, was Carrian's biggest creditor.

Scandals arising out of Kuala Lumpur into how loans amounting to about HK$8bn were made to Carrian have led to sackings, and a wholesale reorganisation of Bank Bumiputra Petronas, Malaysia's national oil company, was called in to rescue the bank in September 1984 with a cash injection of 2.5bn ringgit (£625m).

In Hong Kong Mr Mak Foon Than was jailed for murdering a senior executive of BMF with special responsibility for loans. Then there was the mysterious suicide in April 1984 of Mr John Wimbush, a former senior partner of Deacons, Hong Kong's leading law firm. Mr Wimbush was due to be questioned by police in connection with the Carrian case on the day after he was found drowned at the bottom of his swimming pool with a manhole cover attached to his neck.

All that is left today, after 25,319 pages of prosecution transcript drawn up over three years and presented over 64 weeks, is a HK$27m bill for prosecution costs, and a possible further HK$100m to be funded out of taxes if defence claims for costs are upheld by Mr Justice Barker.

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Australian markets soar after budget

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN financial markets, buoyed by the balanced budget unveiled on Tuesday night, yesterday reacted enthusiastically to produce sharply lower interest rates, a stronger currency and a powerful surge in share prices.

The eruption of confidence was helped by improved monthly balance of payments figures and the encouraging result of a Treasury bill tender by the Reserve Bank. Most interest groups, but not the opposition parties, also reacted positively to the Government's measures.

Last night Mr Bob Hawke, the Prime Minister, summarised the budget by proclaiming: "We have delivered." Before a post-budget gathering of businessmen and bankers in Sydney, he asserted: "We have delivered—consistently now, over five budgets—the right mix of policies to restore economic health."

In Australian terms yesterday's market developments, in which the initially bullish budget reaction overnight turned into a stampede, were dramatic:

- Interest rates on 90-day Treasury bills started lower and finished at 11.45 per cent, down from 11.9 per cent. Rates for 10-year bonds also fell, and both trends were further reflected in the futures markets.
- In the Reserve Bank's weekly Treasury bill tender, bids for A$400m of three-month paper fell to 10.96 per cent, down more than 60 basis points from the previous week's level of 11.58 per cent.
- The four major trading banks, led by the ANZ Bank, all lowered their prime lending rates by between 0.5 and one percentage point to 14.25-14.5 per cent. Home loan rates were lowered to 14.5 per cent.

The Australian dollar firmed to its highest levels in more than a year, finishing at 56.9 on a trade weighted basis against the currencies of Australia's major trading partners (May 1970=100). The previous day's close was 56.6.

Share prices surged to fresh highs in heavy trading. The All-Ordinaries index, covering some 280 companies across all sectors, finished off the top but still 43.4 points higher at 2,274.4.

The rises appeared to favour blue-chip stocks which would benefit from the prospective fall in interest rates. But the impact was widespread, and the gold index of 44 mining companies surged through the 4,000 barrier to 4,018.8.

Balance of payments figures, though only for the month of August, fuelled the momentum by coming in below expectations and halting a worrying trend seen in July.

The figures showed a current account deficit for the month—the second of the new 1987-88 financial year—of A$800m, down more than A$500m from a revised A$1.4bn in July.

Particular encouragement was drawn from the fact that seasonally adjusted exports rose 12 per cent while imports fell 7 per cent to leave a positive trade balance. The net services deficit was also down.

Also helping the markets was the budget announcement of a review of corporate taxation. Yesterday the Government indicated this would eliminate the competitive disadvantages Australian companies may be suffering through taxation.

Amid the euphoria, a cautionary note was sounded by Mr John Howard, the opposition Liberal Party leader.

He cast doubt over the factors contributing to the "balanced" budget, said interest rate falls were from historically high levels which had deterred investment and drew attention to the continuing high inflation rate, current account deficit and foreign debt burden.

Chris Sherwell on the assumptions behind what critics call an over-confident budget

Confident Keating keeps eye on trade terms

MR PAUL KEATING, the Australian Finance Minister, had for weeks encouraged people to think that the closely-watched budget deficit figure would be little less than A$1bn (£444m) when he presented his fifth budget on Tuesday night. A zero-deficit budget or a surplus, as some urged, was simply not feasible.

Yet he opened his brief 20-minute speech with the words: "Madam Speaker, the budget for 1987-88 is in balance."

Though it contained no other surprises, the budget continued Australia's deliberately gradual adjustment to its worsened trade position. It was also full of self-confidence—critics would say over-confidence.

It projects increased real growth of 2.75 per cent, higher than the Organisation for Economic Co-operation and Development average, 100,000 new jobs with no rise in unemployment, the retirement of A$2bn in debt, a real rise in business investment of 4 per cent and a prospective fall in corporate tax.

Against this, the decline in the current account deficit from A$13.6bn to A$11.5bn would leave it at a still high 4 per cent of gross domestic product. Net external debt is forecast to rise still higher as a percentage of GDP from 31.4 per cent.

The budget foreshadows a decline in the annual inflation rate from 9 per cent to 6 per cent and continued wage restraint, but in these respects Australia's performance will remain worse than those of its trading partners.

Regarding the government's own finances, it will be a matter of argument whether Mr Keating's near-historic balanced budget is the product of one of his celebrated magician's tricks.

On the old accounting question of whether the proceeds of asset sales should be included, the purists say no.

They say there is a A$1bn deficit—calculated from the A$2.7bn deficit achieved in the 1986-87 year which ended in June and the net A$1.7bn in spending cuts and other changes from Mr Keating's May mini-budget.

The opposition Liberal Party goes further, pointing to the high revenue contribution of A$2.6bn both last year and this year from the Reserve Bank's foreign exchange transactions. They say this cannot be counted on again.

The more interesting arguments about the Budget, however, focus on its assumptions, in particular about the domestic economy and the process of internal adjustment to the deterioration of Australia's external terms of trade.

One of the strongest criticisms made of Mr Keating's policies in the past has been that Labor's reaction to this alarming reversal has been neither tough enough nor quick enough.

Paul Keating: "We have turned the corner"

It is a criticism he happily takes on the chin. Twice in his budget speech on Tuesday he dwelt on what is a centrepiece of the government's economic strategy.

"We could have reacted to this trade deterioration by pushing all the economic levels into reverse," he said. "That has been tried in the past, both here and in other countries.

"And where it has been tried, it has not produced the quick results hoped for, and it has resulted in sharply higher long-term levels of unemployment, declining living standards and destructive social conflicts.

"We have rejected that path, and the events of the last 18 months have shown that we were right. We have turned the corner, and the big gaps in the trade accounts have begun to close."

On the question of whether pace of adjustment is right, the Treasury, in documents accompaying the budget figures, considers at length whether Australia can continue to sustain large current account deficits and a high foreign debt.

In a key passage, it says this depends on its ability to attract finance from abroad without a falling exchange rate, high interest rates and a sluggish economy.

That, it says, hinges on the prospective profitability of investment in Australia, which in turn will depend on productivity efficiency and competitiveness.

On the question of whether the corner has been turned, however, the risks in Mr Keating's strategy become even more apparent, since they involve more than continued structural reform.

Critical assumptions lie behind this forecasts for growth and the current account deficit One of the most important is that Australia's teams of trade must rebound from a 5.1 per cent fall last year to a 2 per cent improvement.

Another is that import volumes remain flat while exports grow. Of the 2.75 per cent growth projection, one percentage point is to come from net exports. Of this, an increased share is expected from manufactured exports and tourism rather than primary resources.

This would make it the third year in a row that exports have made a positive contribution, an exceptional performance by Australian standards if it happens.

However, it will leave remaining growth to come from domestic demand, which, after the public sector cuts, means the private sector.

Of this, half a percentage point is forecast to come from increased levels of investment rather than consumption — investment, it is presumed, which is not excessively import-dependent.

Investment should be stimulated by lower interest rates following the government's reduced call on funds, but the confidence factor will be crucial.

The Government forecasts a pick-up in business investment from less than 1 per cent real growth in 1986-87 to 4 per cent this year.

The rest of the projected growth comes from consumption, again, it is hoped, of goods produced locally as a result of import substitution and from rebuilding savings drawn down to maintain living standards.

Gulf war flares anew at end of UN mission

By Our Middle East Staff

THE GULF war flared again yesterday as Iranian artillery shelled Basrah and Iraqi aircraft hit the Kharg Island oil terminal in the wake of the apparently abortive peace mission of Mr Javier Perez de Cuellar, UN Secretary-General.

A communique issued by the Iraqi high command said that its aircraft struck the eastern jetty at Kharg Island, Iran's leading export facility, yesterday morning.

Earlier a military spokesman in Baghdad said that 21 shells had hit Basrah, Iraq's second largest city, on Tuesday night only hours after Mr Perez de Cuellar had left at the end of his five-day mission. He was expected last night to report to a special session of the UN Security Council on the outcome of his bid to gain Iran's acceptance of its July 20 resolution calling for a ceasefire.

Iraq's attack on Kharg Island ended a respite in attacks prompted by the Secretary-General's visit to the Gulf.

Tehran Radio said that Iranian forces would start amphibious manouvres on Thursday involving "a brigade of tribal men from the Holy Mohammed Division of Baluchistan." Mr Perez de Cuellar appeared to do nothing to break the deadlock arising from Iran's refusal to accept the resolution unless Iraq was branded as the aggressor in the seven-year conflict.

Israel to sever links with South Africa

ISRAEL, under US pressure to scale back ties with South Africa, decided on Wednesday to impose sanctions limiting trade, cultural and scientific links with Pretoria, the state radio reported, Reuter reports from Jerusalem.

It said the South African Foreign Ministry and Pretoria's ambassador to Israel were already being briefed on the sanctions recommended by a government committee led by Mr Yosi Beilin, the Foreign Ministry Director-General.

Foreign Ministry officials have refused to elaborate on the Beilin report.

S Korean politicians agree timetable for general election

BY MAGGIE FORD IN SEOUL

AGREEMENT ON the holding of a general election in South Korea was reached yesterday by a joint committee of opposition and ruling party members, paving the way for a referendum on the country's new constitution.

The general election for the National Assembly is to be held within six months of the acceptance of the new constitution, following a presidential election scheduled for December.

Negotiations over the assembly elections have held up progress towards democracy because of disputes over timing. The ruling Democratic Justice Party, headed by Mr Roh Tae Woo, had wanted the election to be held in February. The opposition Reunification Democratic Party wanted to put it off until after President Chun Doo Hwan steps down at the end of his term on February 25.

In October a national referendum is to be held to approve the revised constitution, the first ever produced in South Korea by bipartisan agreement. The election campaign will then proceed, assuming the parties have chosen their candidates.

Mr Roh will stand for the ruling party, but two politicians, Mr Kim Young Sam and Mr Kim Dae Jung, are candidates on the opposition side. The two have pledged that only one of them will stand.

A fourth contender, Mr Kim Jong Pil, has indicated that he may throw his hat in the ring. Mr Kim was head of the Korean Central Intelligence Agency under the regime of President Park Chung Hee, Mr Chun's predecessor. Although he is given no chance of winning, he may be able to affect the result by diverting votes in certain constituencies, especially affecting Mr Roh, observers believe.

Bank opened in Peking

THE COMMUNIST world's first financial conglomerate officially opens a bank on Wednesday, a milestone on the road of rapid expansion, Reuter reports from Peking.

State-owned China International Trust and Investment Corporation is due to unveil the Citic Industrial Bank at a glittering ceremony at the company's Peking skyscraper, to be attended by most of China's economic leadership.

The bank, which has been doing business since May, is the latest addition to the Citic empire which includes subsidiaries in trading, investment, travel, property and overseas ventures. It was set up in 1979 to bring foreign technology and capital to China.

It built the country's first office skyscraper in central Peking, known as the "chocolate building" because of its colour, and almost quadrupled its assets between 1984 and 1986.

The opening of the bank is also a landmark in China's efforts to break the monopoly state banks have enjoyed in different sectors of the economy since 1949.

Tamil leader flies to India

THE LEADER of the Tamil Liberation Tigers Mr Dilip Yogi and a political associate flew to Madras yesterday morning as a 100 party members continued their death-fast in the heart of Jaffna, the Tamil northern stronghold, Mervyn de Silva reports from Colombo. They were the only two civilian passengers in a Madras-bound Indian airforce aircraft.

In Madras, capital of the south Indian state of Tamilnadu, the home of 50m Tamils, they will meet Mr S. Ramachandran, Food Minister in the state government and Dr Stanislaus Balasingham, a Sri Lankan Tamil who has been for many years the political adviser to Mr Velupillai Prabhakaran, the Tigers leader. Mr Prabhakaran is reportedly hiding somewhere in the Jaffna Peninsula, from what he claims is a "killer squad" sent out by three rival groups, "tacitly supported" by the Indian authorities.

Slow growth and debt burden set sombre scene

THE International Monetary Fund yesterday underlined the importance to sustained growth in the world economy of firm action to reduce the US budget deficit and of measures to promote a faster expansion in Japan and West Germany.

In a sombre review of economic trends over the past year, the Fund said that international trade imbalances still posed the threat of protectionism and the risk of turbulence on financial markets. Its anual report expresses serious concern about the sluggish pace of growth in industrial countries and the increasing difficulties faced by heavily indebted developing nations.

During 1986 and early 1987 economic growth in industrial countries slowed real primary commodity prices continued to decline external imbalances widened, protectionist pressures intensified, and the financial position of many developing countries deteriorated further, it says.

The report does not include the Fund's latest forecasts of the outlook for the remainder of 1987 and 1988. But those forecasts, to be published formally at the IMF-World Bank annual meeting later this month, hold out little prospect of a significant upturn in economic growth.

IMF economists believe that the industrial nations will grow by only 2.4 per cent in 1987, with the pace quickening fractionally to 2.6 per cent in 1988. Both figures are below the 3 per cent or more that the Fund traditionally regards as essential to improve the outlook significantly.

Among the seven largest industrial economies only Japan and the US are expected to record growth of 3 per cent or above in 1988.

The Fund says that the policy commitments envisaged in February's Louvre Accord to stabilise the dollar—cuts in the US budget deficit and measures to promote faster domestic growth in Japan and West Germany—should be conductive to a substantial reduction in trade imbalances over the medium term.

But while it emphasises the need for exchange rate stability it holds back from endorsing the public stance of the Group of Seven Nations that the dollar's value is now "broadly consistent" with economic fundamentals. Instead, the Annual Report says that the current pattern of exchange rates "better reflects" fudamentals.

The difference is thought to reflect the Fund's view that on the basis of present policies in the major industrial countries the huge trade imbalances between the US, Japan and West Germany will not be brought down to a sustainable level without a further dollar depreciation.

Its latest forecasts suggest only a gradual reduction in the US current account deficit and in the parallel surpluses in West Germany and Japan next year. The Fund's medium-term projections also point to large imbalances persisting well into the 1990s.

The report says that the use of economic performance indicators by the major industrial nations can have only a limited role in strengthening policy co-ordination between governments.

Indicators are said in the annual report to provide a useful analytical framework against which governments can measure the consistency and sustainability of their policies within an international framework.

But the Fund makes it clear that countries such as West Germany, Britain and Japan have succeeded in blocking a US move aimed at giving the indicators the status of semi-automatic "triggers" for policy action.

The Executive Board had agreed that: "Ultimately, there was no substitute for careful analysis, international monetary discipline, the exercise of judgement, and political commitment. The increased use of indicators should not be allowed to lead to the fine-tuning of policies; nor should movements in indicators be expected to trigger automatic action or mechanistic responses."

The report highlights the deteriorating position of heavily-indebted countries in the face of sluggish growth in the industrialised world and a virtual cessation in net private lending to the developing world.

The external borrowing of developing nations was reduced further in 1986 despite exceptionally large losses in some countries' terms of trade. These losses, the result of the collapse in the oil prices and falling real commodity prices, were worth the equivalent of $100bn for the developing countries as a whole.

Despite the very low levels of borrowing and decline in interest rates in 1986, the developing countries' ratios of debt and debt service to exports continued to worsen.

The Fund says that the priority for developing nations must be to strengthen policies aimed at mobilising and retaining domestic savings.

SUMMARY OF PAYMENTS BALANCES ON CURRENT ACCOUNT 1978-86 ($bn)

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Industrial countries	15.1	−23.2	−60.5	−19.0	−22.4	−19.8	−58.3	−50.7	−19.0
Canada	−4.3	−4.2	−0.1	−5.1	2.3	2.5	2.7	−0.9	−6.7
U.S.	−15.4	−1.0	1.9	6.9	−8.7	−46.3	−107.0	−116.4	−141.4
Japan	16.5	−8.8	−10.7	4.8	6.9	20.8	35.0	49.3	85.8
France	7.0	5.2	−4.2	−4.6	−12.1	−4.7	−0.8	−0.2	3.4
W. Germany	9.0	−6.0	−15.7	−5.2	4.1	4.2	8.4	15.3	35.4
Italy	6.2	5.5	−10.0	−9.1	−6.2	1.6	−2.4	−3.6	4.1
UK	1.9	−1.5	6.8	12.5	6.9	4.8	2.1	4.5	−0.2
Other industrial countries	−5.8	−12.5	−27.6	−19.2	−15.5	−2.7	3.7	1.3	0.5
Developing countries	−35.0	6.4	30.4	−48.5	−87.1	−64.0	−33.0	−23.9	−46.4
By region:									
Africa	−12.8	−3.4	−1.9	−22.4	−21.5	−12.2	−7.3	−0.2	−8.7
Asia	−5.2	−9.7	−14.4	−19.0	−17.4	−14.9	−4.2	−14.0	4.9
Europe	−9.7	−13.6	−15.6	−14.3	−8.7	−5.9	−3.2	−3.3	−1.7
Middle East	11.3	54.2	92.5	50.0	3.0	−20.1	−15.8	−2.2	−23.3
Western Hemisphere	−19.0	−21.1	−30.2	−42.7	−42.5	−10.8	−2.6	−4.2	−17.5

Source: IMF annual report

Discrepancy in balance of payments position

THE International Monetary Fund has failed to plug a $65bn statistical "hole" in its accounts for the world balance of payments position, it admits. But it believes that the discrepancy does not affect significantly its analysis of world trade imbalances.

In theory, the IMF's figures for the world current account position should show a balance, with the sum of all deficits being matched by the sum of all surpluses.

In practice, however, the recorded position has been in deficit for several years. That in turn suggests that the current account position of many countries is much healthier than the present published figures indicate.

According to the Fund's annual report, from approximate balance in the early 1970s, the global current account displayed an excess of deficits over surpluses amounting to about $20bn in the late 1970s. That figure widened to a peak of $100bn in 1982 before gradually declining to an estimated $65bn in 1986.

An international working party set up by the Fund has concluded that the discrepancy is based primarily in the service and transfer elements of current account statistics. Within those sectors the discrepancy is most marked in reporting of portfolio income, shipping data and official transfers income.

The working party has been unable to allocate the discrepancy between countries, but the Fund says that tentative conclusions on its distribution suggest that it would not greatly affect the pattern of current account imbalances between the US, Japan and West Germany.

The IMF is now calling on member countries to take changes in the compilation of balance of payments figures in an attempt to remove the discrepancy.

New attitude signalled on loans for poor nations

EXPLICIT recognition of the need for change in the International Monetary Fund's approach to how it establishes the conditions attached to loans to heavily-indebted Third World countries is contained in the IMF annual report. The Fund's judgments contrast significantly with the assessment arrived at in its discussion of conditionality in its annual report last year.

Even though developing countries were bitterly criticising its austerity programmes, it maintained in its 1986 report that the main reason its economic policy conditions had worked in some countries but not in others was because of "divergences in the determination with which policies had been implemented"—a conclusion which in essence put most of the blame on the country and its politicians for not trying hard enough.

In this year's annual report the IMF points out that for most low-income developing countries, a category which would include in particular countries in sub-Saharan Africa, the level of indebtedness is now such that, even if such countries intensify and successfully sustain tough economic adjustment policies, they will require not only substantial sums of money but money lent on concessional terms, in order to get international finances on to a solid footing.

As part of efforts to address this problem and the challenge posed by the uncertain world economic environment the IMF says there has been "a continuing search for improvement both in the application of the Fund's conditionality . . . and in certain theoretical aspects of programme design."

In May, for example there was a review carried out which focused on the issue of the balance between the volume of financing and the degree of economic belt tightening called for by the IMF, and on the linkage between economic growth and the need to achieve viability in countries' external accounts.

The report says that the new emphasis on trying to develop IMF economic adjustment programmes designed to foster growth has "put into sharper focus a set of inter-related problems regarding the time horizon of programmes and the relative weight to be given to the balance of payments and the growth objectives."

The question of the timing of measures designed to impact demand and policies designed to improve the efficiency of the economy have also been looked at more closely because of the lags with which policies take effect. It adds that questions of time lags are of particular significance in low-income developing countries "where the speed of economic responses may be different from those in more developed economies."

The emphasis on programmes with a growth orientation has also led to increased attention being paid to the impact of monetary, fiscal and exchange rate policies on output and investment.

Behind the Fund's reassessment of the conditions it insists upon in return for its financial support lies the recognition that the Third World debt problem in low-income as well as many middle-income developing countries, is going to take longer to resolve than was anticipated a year or two ago.

This perception presents a particular problem for the IMF because it is designed as an international monetary institution providing medium-term balance of payments assistance requiring relatively rapid repayment of its loans.

The inability of some of the IMF's borrowers to cope is underscored by the sharp rise in arrears on repayments to the IMF which rose to SDR 482m in April 1986 compared with SDR 176m a year earlier. The Fund says eight, instead of four countries are now overdue by six months or more on their financial obligations and the amounts, "although small in relation to the amount of Fund credit outstanding are large in relation to the Fund's reserves."

Although not spelt out in the report the longer-term nature of the debt problem raises questions not only about what sort of conditions it insists upon for its loans, but theoretically even whether it should continue to play an active role in the debt problem.

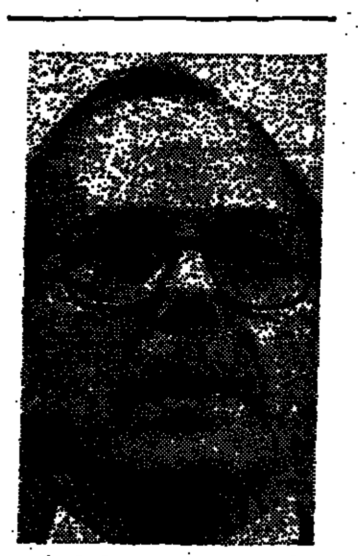
Since the governments which finance it have decided that it should continue to be active, however, even in low-income developing countries the resolution of whose problems are likely to be more protracted even than for middle-income countries, the question arises how should the IMF take into account the need for longer-term structural improvements in a borrowers' economy when designing its lending conditions.

"Certain key changes are within the Fund's traditional areas of responsibility," the IMF says citing policies to enhance competitiveness by keeping exchange rates at "realistic levels." But others such as trade liberalisation, tax reform, and financial sector reform are "less directly related to the Fund's traditional concerns."

In a veiled reference to the touchy relationship with partner in tackling the debt problem, the World Bank, the report says "clearly deeper Fund involvement in these areas will have to take into account the responsibilities of other multilateral lending institutions."

Although the report says that "a strong political commitment to a comprehensive strategy is crucial" for the success of econmic reform it adds that its policies must also "pay due regard to members domestic and political objectives."

Reports by **Philip Stephens** and **Stewart Fleming**



Michel Camdessus, managing director of the IMF

AMERICAN NEWS

MONTREAL CHEMICALS PROTOCOL

Accord reached on ozone protection

BY ROBERT GIBBENS IN MONTREAL

MORE THAN 40 nations have reached a historic agreement to reduce the use of ozone-depleting chemicals by 50 per cent by 1999.

The protocol was hammered out over the past week at a conference in Montreal of 200 international experts sponsored by the United Nations Environment Programme.

Manufacturers claim that using less dangerous chemicals in appliances, plastics and packaging will push up final costs by 15 to 30 per cent.

The agreement must be ratified by at least 11 countries accounting for a minimum of two-thirds of global consumption of the dangerous chemicals. Officials expect broad ratification by governments especially after objections by the European Community were met. The EC nations wanted to be treated as a bloc in applying the new limits.

It will be the first treaty to control a global air pollutant and could lead to an international protocol to reduce the widespread damage from acid rain, officials said.

The increasing use of industrial chemicals, especially chlorofluorocarbons (CFCs), used in refrigerators, air conditioners and in some plastic products, is, according to some scientific studies, destroying parts of the high altitude ozone layer shielding the earth from the sun's radiation.

Environmental groups from North America and Europe said the agreement was welcome but contained many flaws. Developing nations will be allowed to increase their use of the chemicals to Western levels before being forced to switch to less dangerous materials, they said. Also application of the agreement in individual countries will be a major problem.

A last-minute hitch at the Montreal conference was resolved when the New Zealand delegation came up with a formula to meet European concerns about how the treaty will be applied. In effect the EEC will be treated as a bloc despite US objections concerning the impact of this on the world chemical industry.

Scientists believe that emissions of CFCs must be cut significantly to prevent what could be catastrophic changes in climate and dramatic increases in skin cancer over the next 50 years.

"It would be the first agreement in history which would reduce in a quantifiable manner and on a global scale substances detrimental to the environment," said Mr Winfried Lang, chairman of the convention.

Senator Biden: accused of borrowing rhetoric

Biden talks himself into trouble

By Lionel Barber

SENATOR Joseph Biden, the Democrat presidential candidate from Delaware, yesterday faced fresh and embrassing disclosures about his record of borrowing memorable rhetoric from other politicians without attribution.

The disclosures are damaging because Senator Biden was hoping this week to gain maximum favourable publicity as chairman of the Senate Judiciary Committee holding confirmation hearings into President Reagan's Supreme Court nominee, Judge Robert Bork.

At the weekend, the New York Times revealed that Senator Biden, whose oratory is rated as his greatest political strength, had borrowed chunks of a moving campaign speech this year by Mr Neil Kinnock, the British Labour Party leader.

Yesterday, several newspapers, including the New York Times, reported that Senator Biden had lifted passages over the past two years from speeches by Senator Robert Kennedy and Senator Hubert Humphrey.

The controversy has been seized on by Senator Biden's Democrat opponents. One campaign staffer suggested that the revelations undermined Senator Biden's vaunted reputation: "It is like finding out General Haig never served in the army!"

Senator Biden's staff have dismissed the issue as a "tempest in a teapot," arguing that the Delaware politician has attributed speeches regularly in the past and has never made a secret of his admiration for Senator Kennedy.

Instead, his staff have been forced to answer questions about whether his ancestors, like Mr Kinnock's, really were coalminers. Mr Biden's aides have been unable so far to give a definitive "yes."

Gramm-Rudman deficit target abandoned by White House

BY LIONEL BARBER IN WASHINGTON

THE White House has abandoned the budget-balancing Gramm-Rudman-Hollings law in its efforts to construct a budget package for fiscal 1989, which starts in October next year.

An Administration official said yesterday that the Gramm Rudman deficit target of $72bn for 1989 was "impossible" and "totally unrealistic." The admission follows private and Congressional forecasts of a deterioration in the 1989 deficit, with some estimates reaching as high as $190bn. The Administration built its fiscal 1988 budget around a $108bn Gramm-Rudman deficit target.

The official abandonment of Gramm-Rudman is more a recognition of reality than a major change in fiscal policy because the law's targets have long been considered unachievable. But it could fuel the impression of indiscipline ahead of next week's Group of Five nations and Group of Seven nations meeting in Washington.

The US budget deficit which reached a record $220bn in fiscal 1986 could fall by up to $60bn this year. But the gloomy outlook and the current budget stalemate in Congress will shape debate at next week's G5 and G7 economic talks.

The budget deficit is an important factor in Allied efforts to co-ordinate their economic policies and encourage exchange rate stability.

Reagan Administration officials have switched tactics in the fiscal 1988 budget battle in the past week, urging members of Congress to ditch efforts to strengthen Gramm-Rudman provisions for automatic spending cuts to bring down the deficit.

The more conciliatory move may herald negotiations with Congress to raise around $23bn in cuts for fiscal 1988 which begins on the first of next month.

President Reagan is still pledged not to raise taxes, but an Administration official said yesterday that some additional "revenue enhancing measures" may be on the table soon, making a total of around $10bn. "We would prefer to negotiate a package," he said. The new budget activity comes as both Congress and the Administration approach a deadline next Wednesday to raise the federal debt limit. If the ceiling is not raised by October 1, the government faces an unprecedented default on its financial obligations.

Most analysts expect a temporary extension of the debt ceiling as happened at the end of Congress's summer session. But concern over the bond market slump—aggravated in recent weeks — is putting pressure on the Administration to bargain.

Key Cabinet posts in Argentina unchanged

BY TIM COONE IN BUENOS AIRES

THE LONG-AWAITED Cabinet reshuffle in Argentina will leave the three important policy areas of economy, foreign affairs and defence untouched.

Although the official reshuffle announcement was expected later yesterday it has been unofficially confirmed that there will be no changes of ministers at the three key ministeries. Changes have been confirmed at the interior, labour, social welfare, education and public work ministries.

The most significant of the changes is that of Mr Antonio Troccoli, the Interior Minister, who is to be replaced by Mr Enrique Nosiglia.

Mr Nosiglia is a young party official who has come to wield considerable power within the ruling radical party and has been responsible for most of the party's behind-the-scenes dealings with trade union, business and military leaders.

Mr Troccoli is an old party ally and friend of President Alfonsin, and his departure from the government leaves Mr Dante Caputo, the Foreign Minister, as the only surviving member of the cabinet that came to power with President Alfonsin in December 1983. Mr Troccoli apparently refused to accept any other post in the new cabinet.

Mr Caputo's presence in the cabinet, with Mr Juan Sourouille at the Economy Ministry, and Mr Horacio Jaunarena at the Defence Ministry, suggest that the government's most controversial policies will continue with little or no change.

Both Mr Sourouille and Mr Nosiglia have been widely blamed for the radicals' electoral defeat, in Mr Sourouille's case for his controversial economic strategy and confrontation with the trade union and industrial lobbies.

Mr Nosiglia is blamed for having masterminded the inclusion of a trade unionist, Mr Carlos Alderete, into the cabinet as Labour Minister, with the aim of dividing the unions and opposition Peronists before the September elections. The move, however, divided the cabinet.

Mr Alderete has confirmed his resignation, and announced his intention to reunite with the other trade union sectors to challenge the government's economic policy.

Other resignations include Mr Julio Rajneri at the Education Ministry whose replacement will have to resolve a protracted strike by university lecturers an continuing industrial action by school teachers; Mr Conrado Storani at the Social Welfare Ministry, and Mr Pedro Trucco at the Public Works Ministry.

Police riot shocks provincial city

By Our Buenos Aires Correspondent

ARGENTINIAN POLICE in the northern city of Tucuman rioted on Tuesday, smashing windows and breaking down doors of the provincial legislature building.

The incident, which has shocked politicians and residents of the smallest but most densely populated province in the country, followed a two-week strike by units of the Tucuman police force in support of pay claims against the local government.

The strike was resolved yesterday when the local government agreed to issue bonds to cover the pay claims. The bonds are immediately redeemable at the provincial bank of Tucuman. The bank will be obliged to draw on reserves

Underlying the incident, however, are even more serious political and economic problems

First, during the riot the police involved chanted support for a controversial retired Gen Antonio Bussi, who stood as candidate for the governorship of Tucaman in the September 6 elections for an extreme right-wing party.

The Tucaman incident has also prompted other government employees in the province to match the police's pay demands, which could create a financial crisis

WORLD TRADE NEWS

Seoul liberalises life insurance market

US EFFORTS to persuade South Korea to open its life insurance market to foreign competition have achieved success after years of lobbying writes Maggie Ford in Seoul.

In a breakthrough decision, Seoul officials are to remove all restrictions on companies wishing to set up in South Korea, allowing subsidiaries or joint ventures rather than just branches of foreign companies.

New criteria for regulating the industry are to be drawn up by the Ministry of Finance and, after a six-month approval period for applicants, the market should be fully open.

US officials said that the regulations would need to be studied, but displayed confidence that they would be acceptable. The South Korean insurance market is the 12th largest in the world and Washington has been pressing for liberalisation of the sector, along with advertising.

While little progress seems to have been made on advertising yet, negotiations over a number of disputes in the aviation sector involving routes and freight appear to be moving ahead.

The agreement on insurance has provoked a complaint from Korean companies that the US is holding up entry visa permits for their executives trying to investigate the US market. US officials deny that they are deliberately obstructing the businessmen's plans.

Signs that Seoul is making sincere efforts to stick by its pledges to open markets may head off some of the expected US pressure to revalue the South Korean currency, the won.

Labour unrest which broke out last month following the moves towards democracy in June will have helped reduce the country's trade surplus with the US, which was running at almost double the level agreed earlier this year.

In talks with the International Monetary Fund over the appropriate level of appreciation for the won, a rise of about 10 per cent against the US dollar is understood to have been set for this year.

Business is working through the effects of the unrest, writes Maggie Ford

Optimism follows S Korean strikes

A FEELING of optimism has emerged in South Korea after a wave of unrest and strikes followed democratic reforms announced at the end of June.

Businesses have started working out ways of minimising the effect of pay rises on exports and profits and the strike at Hyundai Heavy Industries is the only substantial dispute still going on.

A senior executive of a big business group said: "We had no idea that the labour demands would be so strong and all at the same time. We had to learn fast, but we managed. Relationships between management and workers should be better from now on."

Businessmen and officials report that foreign importers have not lost confidence in South Korea as a result of the disputes. "It's a healthy sign," said one British businessman. "Both sides appear to have sorted out deals quickly and goodwill seems strong."

Footwear manufacturer Reebok, which gets 90 per cent of its supplies from South Korea and suffered some disruption in August is planning to continue what it describes as an excellent relationship, going elsewhere only when Korean suppliers cannot cope with Reebok's expanding demand.

Trading organisations report some switching of sources of toys, subject to seasonal demand to other centres such as Taiwan, but Taipei officials said last week that the appreciation of the Taiwan currency would probably mean that the business would return to South Korea when the troubles ended.

The disruption has already caused a hiccup in South Korea's startling trade and current account figures. Exports in August were up 18.5 per cent, the lowest rise this year and the trade surplus reached only $84m. Motor exports recorded the first deficit, down 28 per cent on the same month last year.

The effect of the disruption may however have been sweet music to Seoul's economic planners. Earlier in the year, in the face of strong US pressure to open markets and appreciate the currency, they promised to restrain the country's current account surplus to around $54m for the whole year. That was almost reached in the first six months but the summer unrest will make the figures more palatable, especially in Washington.

The South Korean Government has urged companies to absorb the costs of the pay rises awarded to workers, which vary between about 8 per cent and 20 per cent, so as not to damage the country's export strategy. It has offered easier terms on the repayment of government-backed loans to companies having difficulty and is facing a demand that the government abolish compulsory "donations" for government projects.

Companies claim that wage rises up to 4 per cent could be funded by the donations, which are demanded above normal taxes. The government has turned down pleas for a reduction in bank interest rates.

Of South Korea's top export earning industries, electronics and textiles have come out the best from the disputes with little time lost from strikes or parts shortages. Analysts believe this is partly because the many women workers in the sector have been less militant. Also, as their salaries are lower, pay rises have been less damaging to the companies.

Most of the more serious disputes have been in the heavy dustry sector, especially shipbuilding, motor cars and heavy machinery. Two groups—Daewoo and Hyundai, both with a reputation for authoritarian attitudes—have had severe difficulties over the level of pay rises and over demands for independent unions, free of company control.

South Korean strikers: "So strong and all at the same time."

Union leaders elected by workers at the Hyundai shipyard and at Daewoo Motor are in jail so there are no negotiations.

Hyundai Motor, where agreement between management and union is expected later this week, has returned to normal shift working after a total of 25 days' disruption caused by strikes and parts shortages. Although 20,000 cars were lost, company spokesmen say there has been no disruption yet in sales of the Pony Excel to the key North American market.

Daewoo Motor, a joint venture with General Motors of the US, is working normally but is not negotiating with its workers. The plant was closed for 30 days and lost 18,000 cars.

Kia Motor, in which Ford has a stake, settled speedily but suffered about five days closure because of parts shortages.

Analysts believe the worst effects will be in shipbuilding, which was already under strain. Daewoo, where losses last year amounted to 45bn won (£34m), already had a poor order book, and the increase in labour costs will not help. At Hyundai workers have been on strike for most of the past month, although they were working a month ahead of schedule, according to the company. Observers think that government intervention will probably be necessary to solve this dispute.

Businessmen believe that a big problem at these two companies has been the failure to devolve negotiating power to the management of the subsidiaries.

Apart from an early strike at the heavy industry subsidiary, which was quickly settled, the Samsung Group has suffered no disruption. It is believed to have met workers demands but analysts suspect the group may suffer difficulties later over the issue of independent unions.

Canadians pessimistic over chances of US free trade deal

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Prime Minister Mr Brian Mulroney and the ten provincial premiers are warning that the chances of a Canada-US free trade deal are fast evaporating.

Mr Mulroney said that many "important stumbling blocks remained" in the protracted negotiations towards an agreement.

A broad outline has to be reached by October 5 under a US congressional timetable.

Mr David Peterson, the Ontario Premier, fresh from a landslide victory for his Liberals in the September 10 provincial election, said if a deal is made, "it won't be as big" as originally envisaged.

Other provincial premiers expressed doubts, with Mr Robert Bourassa, the Quebec Premier, the most optimistic.

Ontario's fears of a free trade deal have been fanned by Washington's demand to include the Canada-US auto pact in the trade negotiations.

This agreement, made in 1965, rationalised the North American car industry while providing safeguards against any temptation for the US manufacturers to move their existing Canadian plants south.

The Canadian car industry is 90 per cent concentrated in Ontario and the province has gained enormously from the auto pact and the lower Canadian dollar. It fears that any concessions made by Canada in the face of mounting US political pressure would lead to large job losses.

While the auto pact has become an emotional issue on both sides of the border, especially in the US, where assembly plants are being closed, another stumbling block is Canada's insistence on a mechanism to resolve trade disputes between the two countries through binding arbitration.

The Americans say this would set an international precedent and while they do not rule out some mechanism dealing with specific sectors, they say it would be difficult to fit into their political structure.

No solutions appear to be in sight on other issues, including farm subsidies, government buying policies, regional industrial support in Canada and freedom for US companies to invest in Canada.

The Canadian negotiating team under expects to continue negotiations until October 5. Mr Mulroney continues to say he will not sign any deal that does not broadly benefit Canada.

Japanese bearing makers lift US prices

By Stefan Wagstyl in Tokyo

JAPANESE tapered roller bearing manufacturers are raising prices in the US following a successful anti-dumping action brought by their biggest US competitor.

The US Government's International Trade Commission this week confirmed a decision by the Commerce Department earlier this year that Japanese companies were selling larger roller bearings at less than fair value.

The ITC's decision means that increased dumping margins will be imposed on the Japanese. It is understood to be the first time that the ITC has approved a Commerce Department decision to penalise importing companies for failing to raise prices of bearings in response to the decline of the US dollar.

Koyo Seiko, one of the largest Japanese bearing manufacturers, said yesterday: "This is a warning to all Japanese companies."

But it added that it had not been able to raise prices in the US because Timken, the dominant US producer, had not increased them either. Timken, with 75 per cent of the market in large tapered bearings (that is, those more than 4 in long), had a virtual monopoly, Koyo Seiko said.

Koyo Seiko and NTN Toyo Bearing, another important producer, both said yesterday they had already taken steps to raise prices following the US Commerce Department's preliminary decision.

Japan's exports of roller bearings to the US last year totalled over Y13bn. Koyo Seiko said the damage to sales would be small because 4-inch-plus tapered roller bearings accounted for only about 10 per cent of its US exports.

Soviet Union steps up space sales effort

By Peter Marsh

THE USSR yesterday stepped up its efforts to export its space technology to the West by offering to build spacecraft for overseas companies.

The vehicles would later be lifted into orbit on Soviet rockets.

The offer was made in London by Mr Mikhail Safronov, deputy chairman of Ingosstrakh, a state-owned Soviet insurance company which is involved in the country's bid to sell launcher services.

The State Department announced in July that transfer to the Soviet Union of US-made satellite components, which are contained in virtually all Western space vehicles, would be prohibited under US technology transfer rules.

Mr Safronov, who was in London for a conference organised by the International Bar Association, a group of international lawyers, said that the US opposition to the offer of USSR launch services "was not unexpected."

He said the idea of a turnkey solution, with the Soviet Union providing both the launcher and the satellite, could overcome the technology-transfer obstacle.

Australian group in talks on rail link in Israel

BY ANDREW WHITLEY IN JERUSALEM

NEGOTIATIONS on a new railway linking he Red Sea to the Mediterranean — providing a parallel transport system to the Suez Canal—will be held in Israel later this week with a leading Australian company, White Industries.

The turnkey project would involve the extension southwards of the existing Israeli railway in the Negev desert to the fast growing port of Eilat, at the head of the Gulf of Aqaba.

Finance and a guaranteed annual throughput of 1.5m tons would be provided by the prospective contractor, the Israeli Government has been told.

Estimated to cost between $180m (£110m) and $500m, depending on the extent of port infrastructure work required at Eilat, the railroad could provide a fast new route for Far Eastern and Australiasian exports to Europe.

Tolls would be competitive with those being charged for the Egyptian authorities for the Suez Canal.

For Israel, the main attraction is that after disappointment over the cancellation of two other ambitious national projects—the Lavi combat aircraft and a proposed canal from the Dead Sea to the Mediterranean—the railway would provide a new focus for pride and energy.

Apart from benefits from the engineering and construction work, officials hope the railway will act as a stimulus to the revival of the depressed Negev region.

The development of the Negev was a central pre-occupation of Israel's first Prime Minister, Mr David Ben-Gurion, and the cause has been taken up by his disciple, Mr Shimon Peres, the current Foreign Minister and Labour Alignment leader.

According to the Transport Ministry, interest in the long discussed project had also been expressed by French and Belgian companies. But preference is being shown for the Australians because of their declared willingness to raise all the finance required.

With preliminary feasibility studies completed, detailed negotiations on costs and the port and goods handling alternatives at Eilat are now expected to take place during the visit of a delegation here from the diversified Australian company.

Present plans call for the construction of a single-track railroad from Nahal Zin, a lonely spot in the heart of the desert and the end of the line from Ashkelon port on the Mediterranean, due south to Eilat.

Call to liberalise air-sea transport

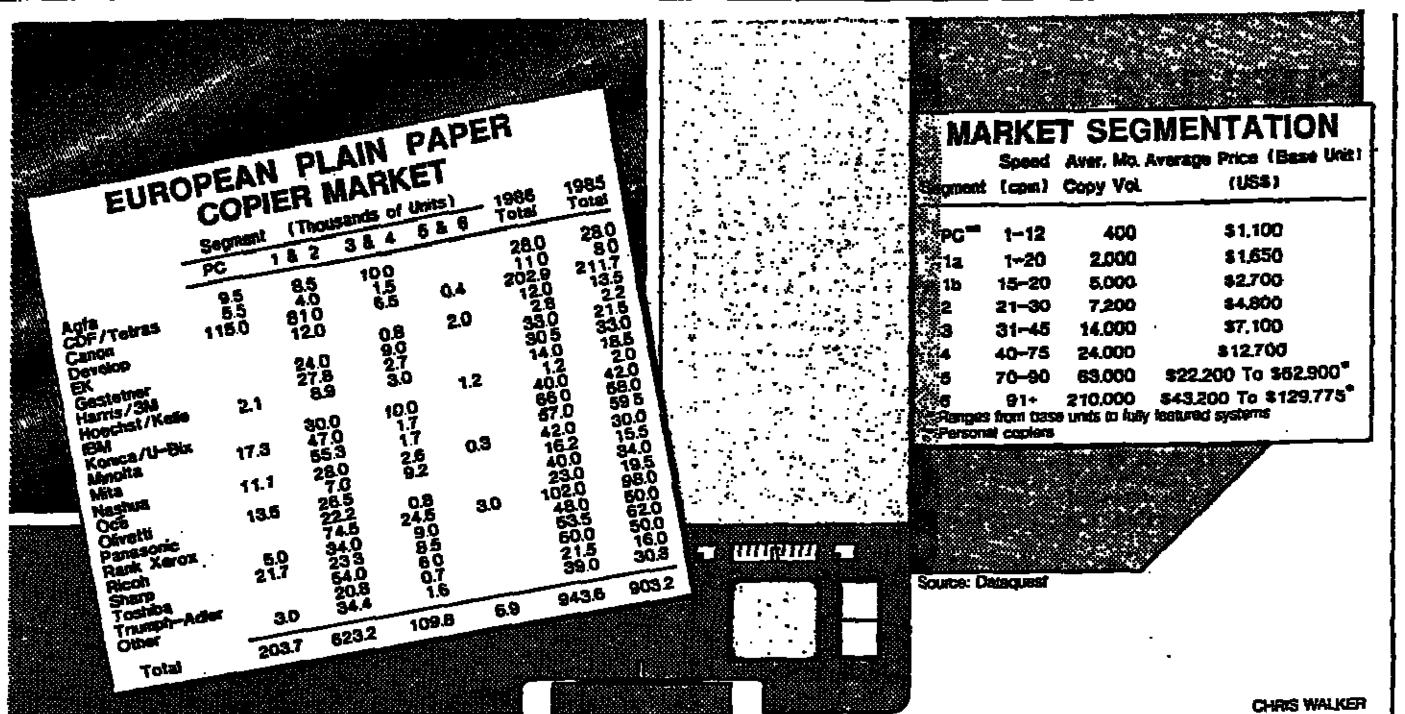
CARTELS in air transport and shippping should be subjected to the rules of the General Agreement on Tariffs and Trade, according to the Foreign Trade Association, which represents European retailers, writes William Dullforce in Geneva.

The association specifically named shipping liner conferences and preferential treatment of national airlines by governments

TECHNOLOGY

The office outcast is brought in from the cold

Jane Rippeteau explains how the humble photocopier is finding a new lease of life with the help of an add-on extra or two



EUROPEAN PLAIN PAPER COPIER MARKET (Thousands of Units)

Segment	PC	1 & 2	3 & 4	5 & 6	1986 Total	1985 Total
Agfa	9.5	8.5	10.0		28.0	28.0
CDF/Tetras	5.5	4.0	1.5		11.0	8.0
Canon	115.0	81.0	6.5	0.4	202.9	211.7
Develop		12.0			12.0	13.5
EK			0.8	2.0	2.8	2.2
Gestetner		24.0	9.0		33.0	21.5
Harris/3M		27.8	2.7		30.5	33.0
Hoechst/Kalle	2.1	8.9	3.0		14.0	18.5
IBM				1.2	1.2	2.0
Konica/U-Bix		30.0	10.0		40.0	42.0
Minolta	17.3	47.0	1.7		66.0	58.0
Mita		55.3	1.7		57.0	59.5
Nashua	11.1	28.0	2.6	0.3	42.0	30.0
Océ		7.0	9.2		16.2	15.5
Olivetti	13.5	26.5			40.0	34.0
Panasonic		22.2	0.8		23.0	19.5
Rank Xerox		74.5	24.5	3.0	102.0	98.0
Ricoh	5.0	34.0	9.0		48.0	50.0
Sharp	21.7	23.3	8.5		53.5	62.0
Toshiba		54.0	6.0		60.0	50.0
Triumph-Adler		20.8	0.7		21.5	16.0
Other	3.0	34.4	1.6		39.0	30.8
Total	203.7	623.2	109.8	6.9	943.6	903.2

MARKET SEGMENTATION

Segment	Speed (cpm)	Aver. Mo. Copy Vol.	Average Price (Base Unit) (US$)
PC**	1–12	400	$1,100
1a	1–20	2,000	$1,650
1b	15–20	5,000	$2,700
2	21–30	7,200	$4,800
3	31–45	14,000	$7,100
4	40–75	24,000	$12,700
5	70–90	63,000	$22,200 To $62,900*
6	91+	210,000	$43,200 To $129,775*

*Ranges from base units to fully featured systems
**Personal copiers

Source: Dataquest

CHRIS WALKER

THE PLAIN paper photocopier, after the initial excitement of its debut in the 1970s, has always been something of an office pariah. People were annoyed by its chronic paper jams and bad copy quality. And as the electronic office took off all around it, the copier was invariably stuck off on its own.

Now that is changing. Suddenly, the photocopier is metamorphosing into a piece of the integrated electronic office.

By adding a laser here, a digital scanner there, perhaps facsimile capability, too, manufacturers are re-engineering the copier into a multi-purpose machine that can hook up to desktop computers, receive and convert computer information into hard copies and, although still very expensive, convert hard copies of typed text into digital data and ship it back into the computer.

"These capabilities are bringing copying into the digital electronic world," says Charles A. Pesko, Jr., president of CAP International, a US market research company that follows the office equipment market. "You can process, store, transmit, or call up and edit information," he adds. "These are major changes for the traditional copier business."

No one expects the copier in its present form to disappear. Demand for stand-alone machines that simply reproduce hard copies is still growing, although the rate of that growth has crumbled from a hey-day of 20 to 30 per cent annually to around 1 per cent today.

Still, in sales, service, rentals and supplies, the plain paper photocopier business is huge; it will amount to some $35bn worldwide this year, edging up to $42.6bn by 1991, according to Monica David, an industry analyst at the US market research company Dataquest in San Jose, California.

Some sectors of the business are booming. Japanese producers are revelling in demand for their under-$1,000 personal copiers - they come in bright red, blue and other colours and gobble up high-profit-margin cartridges of paper. Dataquest projects this business will double by 1991 from its current value of $300m. At the opposite end of the market, dominated by Xerox, margins on high-speed, high-volume machines are still good, and placements usually involve lucrative service contracts.

Re-engineered, the copier is thrusting into the digital electronics world

Also, the new market for full-colour copiers is expected to take off sharply, particularly as businesses become accustomed to having colour graphics in reports generated by their personal computers, and colour in computer-aided design and manufacturing systems. Copier makers reason that, with colour originals, business users will demand high-quality, full-colour reproduction.

"There is a huge potential for colour," says *Mike Mansell,* manager for Copy Products at Kodak Ltd., which accounts for about one-third of Kodak's European copier business. Colour copiers on the market now are slow and expensive: the latest offering from Canon, competitively priced at £17,000, makes only five copies a minute. Kodak has said it will soon unveil a machine harnessing its traditional colour expertise in a "high-speed, top-end duplicator."

But the development costs of getting into such markets are high, and in the bulk of the copier business margins are squeezed tight as producers compete neck-and-neck for sales.

Thus they are also working on capitalising on existing copier technology by incorporating it in new formats integrated with other electronic office equipment. Packaged somewhat differently, the technological innards of a copier - that is, the basic reprographic "engine" - can be put to uses for which demand is healthy indeed - laser printers.

A copier works by reflecting an image onto a reprographic unit - in most cases, a selenium drum, the heart of the xerographic process invented by Xerox. If the light lens system used to project the image is replaced by devices that can "read" digital information and "write" it onto the drum - such as lasers or light-emitting diodes - then the same copying mechanism can be used as a printer. Also, the two machines can use the same paper transport mechanisms.

This market has already taken off in the US. North American sales of page printers - mostly of laser printers - accounted for over 60 per cent of $2.2bn in world sales for 1986, according to Dataquest. The research company estimates the business will reach $8.3bn by 1991.

"This is a huge and very, very attractive market," says B. Alex Henderson, a market analyst at Prudential Bache Securities in New York. For copier makers, he says, "the issue is how fast you can expand into the laser printer market."

Nearly every copier maker has introduced at least one laser printer, and some have several models. Canon, the world's top copier maker by number of units sold, is one of them. And its new alliance with Olivetti to produce Canon copiers in Italy is expected to include a laser printer line by next year.

Manufacturers, notes Henderson, can capitalise on not only their copier engine and paper-moving technology but also their sales and service force, most of their components suppliers, distribution network and research and development budget.

In addition, copier makers are enjoying a market for their reprographics engines among non-copier companies which build laser printers. According to Henderson, Hewlett-Packard and Apple both buy the engines for their laser printers from copier titans Canon and Ricoh.

Not everyone thinks the copier's reincarnation at the hub of an electronic office is a good idea.

"There are a lot of questions associated with this whole digital direction to multi-function units," says David of Dataquest. At $13,000-or-so, "you're asking people to pay a significant premium. It requires much more sophisticated salesmanship, and once you have these machines talking to each other you have communications standards problems."

A larger question, she adds, is whether multiple functions are the best use of the copier engine: "Different speeds are required for different jobs. Do you tie up that engine to make copies or set it up to do printing?"

Others are sure demand for laser printers will increase with office workers' desire for better quality copies.

Says Henk Bodt, chairman of Oce van der Grinten, in Venlo, the Netherlands: "In the electronic office revolution, the emphasis has been on electronic text editing systems to improve the productivity of the writer or creator of documents. We have neglected the productivity of the receiver. With the amount of work that goes into a report, you want a quality output." By making a copy "clearer to read and easier to understand," he adds, "a laser printer can enhance the productivity of the receiver."

The market for full-colour machines is expected to take off sharply

A maker of high-end copiers primarily for European markets, Oce recently developed its own laser printer for Europe, and plans a US launch in 1989.

Other manufacturers have already taken the technology a step further. With the ability to feed computer information through printers into hard copy, demand grew for the ability to do the opposite: to hand a machine a piece of paper with text or an image, have it digitised and fed back into the computer.

Image scanners do just that. At The Desktop Publishing Centre, a London company, graphic artist Guy Jackson, demonstrates a $2,000 device that can read and digitise an image on paper and reproduce it on a computer screen, where limited editing can be done on the image as though it were a piece of art. Similar desktop publishing systems teaming workstations, laser printers and scanners are available from Kodak and others.

More expensive machines can read and digitise text for electronic editing, using a technology called intelligent character recognition. Xerox Corp.'s Kurzweil Computer Products group's Intelligent Scanning System uses optical scanning and artificial intelligence software to read text and data, then digitise it into electronic form either for feeding into a computer file or typesetter for reproduction as a hard copy, according to the company.

In advanced research, engineers are also using artificial intelligence technology (the ability of machines to make human-like judgments) to build a limited number of very expensive machines able to read handwriting and convert it into electronic text. The next leap expected is the adding of facsimile capabilities to PC-based systems so that text and data sent over telephone lines can be received, filed electronically or printed - or scanned and sent back out.

The new systems involve "not so much the copier as the technology in the copier - the print engine and the paper handling mechanism," says Henderson. "It is a device for making marks on paper. All of these areas are coming into the document handling environment. There are very few times when as much technology comes together to create so much value for the end user."

Video news put in the picture

A SYSTEM that allows easy identification of incoming video signals from external news and other sources is to be marketed throughout the world by UK company Seltech International (06285 29131).

Initially developed by Independent Television News (ITN), the system is called Rosie, an abbreviation of 'remote source identification equipment.' It has a similarity to teletext in that the unused TV scanning lines at the top of the picture are used to carry data which can be decoded by suitable electronics in the TV set, or monitor, and displayed as an alternative to the picture, or overlaid on the picture.

With Rosie, a digitally coded 'label' of up to 16 text characters is generated by a hand-held encoder with a robust key-pad. The resulting data is imposed on 10 normally invisible lines of the signal and is sent along with the picture to the video newsroom.

In teletext the data would not be readable by humans, even if the lines were visible on screen. But with Rosie, Seltech arranges the data so that, with the monitor adjusted to make the lines visible at the top, the label can be read. Alternatively, a decoder will process the data into characters which can be displayed on the picture area itself.

To guard against wrong labels being sent, the encoder provides two video outputs, one for transmission and one for local pre-view. This allows the sending operator to compile a label or message in rehearsal mode before attaching it to the transmitted pictures.

CIM played by the book

A USEFUL collection of information sources about computer integrated manufacturing (CIM) has been compiled by the Institution of Mechanical Engineers in the UK. The publication is timely in view of the growing interest in CIM and the quantity and variety of information which has been generated on the subject over the last few years.

The idea behind CIM is the unification of the various computer-aided systems that have grown piecemeal on the shopfloor and within factory offices. These systems range from computer-aided design and engineering at the product concept stage, right through to robotics and other production line equipment at the 'sharp' end.

The ultimate implementation of CIM is the factory under total computer control. This so far has been approached only in companies like General Motors. But many companies have been looking at connecting two or more functions together, for example, design and test in the electronics industry.

The 89 page book from the I.Mech.E (in London on 222 7899) covers acronyms, standards, companies involved in CIM, conference proceedings available, consultancies, directories, finance sources, market research reports, reference books and the work in progress at UK universities and polytechnics. It costs £12.50.

Teaching machines a thing or two

SIEMENS, THE German electrical group, is to co-operate with the Massachusetts Institute of Technology (MIT) of the US in long-term research into machine learning.

About one third of the $16m budget earmarked by Siemens for such activity will be spent at MIT during the next five years.

The focus of the work will be methods and systems that can progressively acquire new knowledge through interaction with their environment, rather than through pre-programming.

Potential applications span nearly all computer uses and include the recognition and processing of images, sounds, text and speech.

WORTH WATCHING

Edited by Geoffrey Charlish

MANAGEMENT: Marketing and Advertising

ICI shows a unified face to the world

Feona McEwan on the UK group's corporate identity campaign

TODAY ICI serves notice on the free world that it wishes to be seen in a fresh light. As he unveils the world-spanning corporate communications programme, Denys Henderson, the chairman, would no doubt call it the true light. Things have been shifting inside Britain's biggest manufacturing company and it is shelling out £7m to make sure we know all about it.

It has taken the wiggle out of its famous round logo. And coloured its "face" blue. It has decreed that it wishes to be known as ICI and so drop the obsolete "Imperial Chemical Industries" tag. Tomorrow it launches a global advertising campaign, no less, to explain just how great a British company it is.

"If you rounded up every pair of blue jeans in the world you'd find the dye for one pair in four came from ICI," says one ad. And it has adopted the phrase "world class" to underpin its position on the international market.

But when Henderson unleashes the new communication programme on an unsuspecting world, will anyone notice, let alone care?

The answer must be, if the work is well done, yes and yes. But why do it?

In a nutshell, because it can no longer remain distant from consumer markets. When it was predominantly a bulk producer of chemicals and fibres, it did not feel the need to sell itself to a wide audience. But when demand for bulk chemicals collapsed in the late 1970s/early 1980s the company re-focussed itself along more specialist lines, a move which took it into consumer products. The company has, as a result, become increasingly aware of the need to present a more coherent and understandable image to the world.

Independent research indicated that, domestically, ICI was seen as dull, boring and chemical. And internationally, where its future lies, the research confirmed what it had been aware of for years - it was virtually unknown.

In its dogged bid for growth, which has driven profits to a record high in the second quarter of this year and seen diversification in recent years into some 12 businesses, it had forgotten to tell anyone what it was doing. It had committed the cardinal sin of neglecting to market the corporation.

But whereas a number of companies have instigated corporate campaigns as part of a defence against an unwanted bid, ICI's move is largely a case of the image catching up with the reality, according to Anne Ferguson, ICI's corporate marketing advisor. There was an anomaly between the outside world's perceptions of the company and the new-found strengths and makeup of the ICI of the 1980s. Insiders, too, were vague.

"ICI had changed from a series of national businesses into a series of international businesses, but this was not apparent to the outsider or insider," says Brian Boylan, managing director of Wolff Olins, which handled the corporate identity end of the programme.

Competitors such as Hoechst in West Germany and Dow and DuPont in the US were also active, which was another spur for action.

The butt of ICI's carefully orchestrated programme is a wide variety of key target audiences in the north east US, the UK, and Continental Western Europe, where the advertising campaign will initially be launched. The audience includes the financial community (from investors to media to banks), governments, legislators, customers, the press, employees and their families - the idea being to predispose people to the company from prospective employees to current investors.

For a company of ICI's ambitions, increasing internationalisation and diversification, a clear identity, an understanding of what the company stands for, is a prerequisite for success. "In order to compete internationally it is terribly important that all groups that influence our success are aware of what we have to offer," says Ferguson. Areas the company has marked out for expansion include health, domestic products, clothing and transport.

Another important factor, certainly in the chairman's eyes, was that the timing was right. He was the man who killed off the last ICI corporate campaign in 1980. "We were not in good shape, there'd been a cut in the dividend, we'd been reducing the workforce drastically and we cut it for that reason." You have to market a corporation, he believes, when the bottom line is right.

The need for an orchestrated corporate communications programme had been identified back in 1985 when the then chairman, Sir John Harvey-Jones, commissioned a report from corporate communications consultants McAvoy Wreford Bayley. This laid much of the groundwork.

In defining his role as chairman at the start of this year, Denys Henderson gave himself the job of custodian of the company image. "ICI is so big and so decentralised. I've long believed the macho chairman who decides everything, is rubbish. So therefore there are only a few things you can influence."

Ferguson brought in two of the most practiced names in the 'image business to help: Wolff Olins (which has just given the Prudential, London Transport and Sun Life a new visage) and Saatchi and Saatchi, the world's biggest advertising agency.

After a world trek to examine the state of ICI's identity - or lack of it - Wolff Olins identified three reasons for the need for change. There was glaring inconsistency in the way ICI businesses used the existing myriad of typefaces, colours, logo sizes, on everything from stationery to its sponsored racing cars, much of it a result of the company's acquisitional growth.

The style of the identity was somewhere between 1930 and the1970s, "not worthy of a world leader." And thirdly, the visual identity system did not work. For example, one business had stationery headed confusingly and indiscriminately: "ICI, Imperial Chemical Industries, Organics Division, Colour and Fine Chemicals."

Olins' answer was to supply a four-pronged format to bring the company into line, with a fat style book to ensure uniformity: one for the corporate ICI, one for the businesses (eg ICI Fibres, ICI Pharmaceuticals); one for companies like Sopra and Nobel (which become ICI Sopra, ICI Nobel) and so bring them firmly into the family; and finally one to incorporate more stand-alone companies like the acquired American paint company Glidden.

"The idea is that anywhere in the world the company can describe itself accurately so insiders know who they are working for and outsiders who they are dealing with; the format must be flexible enough to evolve with the business."

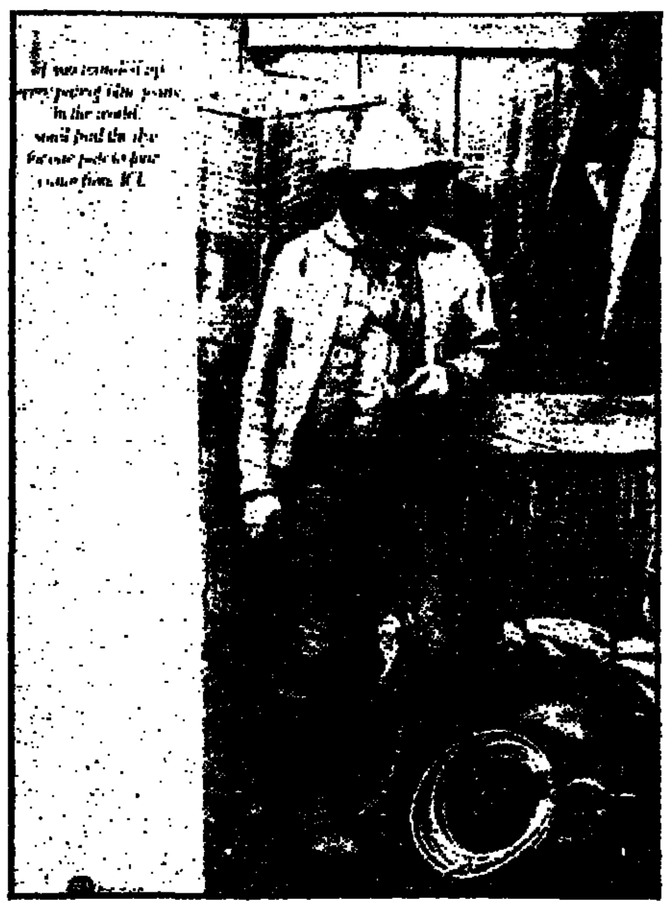
The company toook a deliberate decision to preserve the famous roundel - " one thing that holds us together," says Henderson. The decision was to opt for a strong blue background (before, the roundel appeared in a rainbow of different shades) which Boylan says suggests maturity and sophistication.

On the advertising front, it is harder to market a company than its products, says Ferguson. "You can describe a company in terms of its products but we have 17,000 so that's not possible. We started with a green field, and asked - what's our special proposition?" In the phrase "world class" ICI reckoned it found it. "Everyone got very excited because we felt it encapsulated what the company was about." The brief to Saatchi for the advertising campaign was simply to sum up the world class mood.

The campaign will take in press, television and posters in the north-eastern US, UK and continental Europe from tomorrow until October. All the company will say about its 60-second commercial is that "it's not what you'd expect." The press ads reflect the worldwide scale of ICI operations accompanied by mind-numbing facts about its ubiquitous products.

At the end of the day, the corporate communications programme is about much more than window dressing. Henderson, an impatient, energetic Aberdonian, says he will be looking for immediate returns.

Before (top) and after. The logo, "the one thing that holds us together," now has a blue face



Frozen desserts

Variety is the ice of life

Dina Medland explains how Wall's is widening the market

NOT JUST ONE Cornetto but thousands - 13,600 cones an hour to be exact - come spewing off the production line at the new Wall's ice cream plant at Barnwood, Gloucester, the biggest and, according to Wall's, the most modern in Europe.

Birds Eye Wall's, part of the giant Anglo-Dutch Unilever foods to detergents group, has spent £40m extending and modernising its factory, which sits on a 75-acre site and contains a production hall the size of two football pitches.

"Full computerisation has substantially improved our efficiency and almost doubled our capacity at Gloucester," says site general manager John Hazelwood.

Investment in innovative technology - there is now £100m invested in equipment at the plant - is just one facet of Wall's long-term strategy aimed at claiming more than its current near-40 per cent share of the £500m annual UK ice cream market.

Cornetto, Britain's best-selling ice cream, serves well to illustrate the success of that strategy, which concentrates on a substantial investment in the advertising and packaging of a product as well as on the development of the product itself.

But Wall's has also benefited from a changing market in the UK for ice cream which has evolved over the past decade.

When it was first launched 15 years ago, Cornetto flopped badly, and was hastily withdrawn. Five years later it was reintroduced to a more welcome reception. The product had not changed, but the market had, and Walls was on to a winner.

In the last 10 years, 500m Cornettos have been sold, with last year's sales alone amounting to 82m. A clearly identifiable advertising campaign has both boosted the product's popularity and become part of advertising memorabilia.

"Ten years ago this factory used to have to butcher meat to provide alternative employment during the winter months when the demand for ice cream was at its lowest," says Hazelwood. Since then, changing tastes, accelerated by massive marketing programmes, have contributed to much greater consumption of ice cream.

Central heating in 71 per cent of homes by 1986 (compared with 50 per cent in 1976) has helped create seasonal peaks in the business twice a year - in the summer and at Christmas (when over a third of all ice-cream desserts made by Wall's is consumed).

At the same time dessert cakes - "dinner pudding substitutes" with ornate layers of ice cream, chocolate, fruit and/or nuts - have gained in popularity, helped by the growth in freezer ownership. In 1972 just 2.5 per cent of homes had freeezers, but by 1987 that figure had leapt to 74 per cent, according to Wall's.

Increasing freezer ownership has opened up a "take-home" market generally and Wall's places as much importance on this as its earlier "impulse buying" market of, largely, cones, scoops or ice lollies.

Wall's claims to have pioneered the development of such frozen complete desserts in 1982 with a product known as Viennetta. Having first developed a "concept" for the product, the company then proceeded to develop a means of putting it together, a use of processes which is now protected by patent.

Manufacturing technologies are kept flexible, enabling test marketing volumes to be kept fairly small and ensuring that Wall's gets its money's worth out of its capital investment. Using the same technology, the Viennetta, an ice cream and crisp chocolate product was followed two years later by Sonata, which has dark chocolate, and two years after that, Carissima - vanilla ice cream with a raspberry sorbet centre.

Caution ahead of heavy research and marketing is supplemented by the use of Unilever factories with spare capacity abroad when they prove to be more cost-effective. A giant ice cream cone - Magnifico - is currently being marketed as part of the premium product range within the impulse buying sector, and is manufactured in a sister company in West Germany.

Along with other "premium" treats, Magnifico is being marketed in a £5.5m multi-media campaign on a "Truly Adult Affair" theme aimed at seducing the adult market.

While research shows the average child in the UK consumes 22 ice creams a year, the average adult consumes a mere six - a figure Wall's would like to see increase, particularly as 81 per cent of the nation's population is now over 14.

Wall's - which claims 39 per cent of the UK market - dominates ice cream advertising, accounting for 90 per cent of the £5.2m industry spend in 1986.

"The ice cream industry in the UK has to work a lot harder than the Continent or the US to generate profits...summers there are more reliable and people are prepared to spend more on their ice-cream," says Hazelwood.

Wall's has learned some important lessons about how much British people are prepared to pay. Its higher-priced Carte d'Or dairy-fat based range of ice creams introduced two years ago from France is "not breaking any records," says Hazelwood, though sales have improved since the range was underpinned by a range of sorbets and ice cream called Alpine.

Alongside new product developments there is also a constant awareness of the need to market the same product in a different way. For example, multipacks sold through supermarkets now take into homes products such as cones, which were in the past only aimed at impulse buyers.

ICE CREAM MARKET		1985	86	% change
		£ millions		
IMPULSE	Wrapped	127	138	+8
	Scooping/Soft	61	76	+26
TAKE HOME	Multipacks	58	70	+22
	Complete Desserts	20	26	+30
	Premium Ice Cream	14	19	+35
	Standard Ice Cream	147	148	+1

PAUL SAUNDERS

Source: AGB Attwood/Wall's

AUSTRALIAN GOLD MINING

John McIlwraith reports on a rising Australian entrepreneur

Paving the way for a golden future

ALTHOUGH Robert James Champion de Crespigny hardly fits the stereotype of the brash, aggressive Australian entrepreneur, more at home with a Foster's in his hand than a Bollinger, he is among the more successful recent gold promoters. A company he formed two years ago with A$500,000 now has a market capitalisation of about A$200m (US$145m).

Such is the overheated nature of the Australian gold market that a recent announcement that the company, Normandy Resources (the name is a tribute to his family's origins), would raise A$115m, attracted little notice.

Mr de Crespigny, who has the personal and corporate style of a saturnine Robert Holmes à Court, is engaged in a struggle with Alan Bond for control of a large part of the Golden Mile —in a short time as a gold tycoon, he has learnt not to be overawed by reputations.

Apart from aristocratic European family names, Mr de Crespigny shares with Mr Holmes a Court a cool detachment in his investment philosophy, a slightly self-deprecating, courteous manner, and above all an ability to increase the value of his companies rapidly.

When Normandy was launched in 1985, its market capitalisation stood at less than A$4m and its share price at 14 cents.

Recently, the shares have hovered at about A$4.40, and Mr de Crespigny controls the company, with a shareholding of 30 per cent.

However, Mr de Crespigny is not carried away by success.

He says: "We have not really achieved much yet, but we feel we have established a solid base on which to launch companies which will be good performers over the long term. We are not interested in the highs and lows of the traditional gold market."

He insists that he is not necessarily bullish about gold in the longer term—"I have no idea where the gold price is going" — but seeks instead to invest in companies which have the lowest possible production costs, in preparation for what he sees as the eventual fall in gold prices.

He sees gold's success in the past two years as a solid base from which to diversify into areas ranging from other metals to a counter-cyclical investment in oil exploration.

Mr de Crespigny stresses: "Maximising the benefit to shareholders is our prime duty, and we are hoping to prove this with results in the next year or two."

Normandy declared a maiden dividend of 4 cents per share in its first full year of operations, ended December, based on profits of about A$3.4m.

Based on the strong performance of the Galtee More gold mines — the group's main source of cash flow, held through Brunswick — analysts expect the dividend to be double that figure in the current year, on profits of between A$8m and A$10m.

Part of the group's considerate policy toward shareholders involves making regular rights issues — there have been three so far — at prices below market value. This courtesy has been noted by investors.

The imminent capital-raising exercise will follow the same pattern with a three-for-five rights issue at A$3 and a placement of 4.8m shares at A$4.

Mr de Crespigny's policy towards acquisitions — the most significant recent example was his capture of Poseidon, the old survivor of Australian mining booms — is accomplished with the agreement of the leading shareholders.

The Poseidon acquisition became intriguing when North Kalgurli, Mr Bond's family-controlled company, secured control of Gold Mines of Kalgoorlie (GMK) earlier this year.

As a result, Poseidon and GMK have equal interests in Kalgoorlie Mining Associates (KMA). Poseidon and GMK each have 50 per cent of Kalgoorlie Lake View, which in turn owns 52 per cent of KMA.

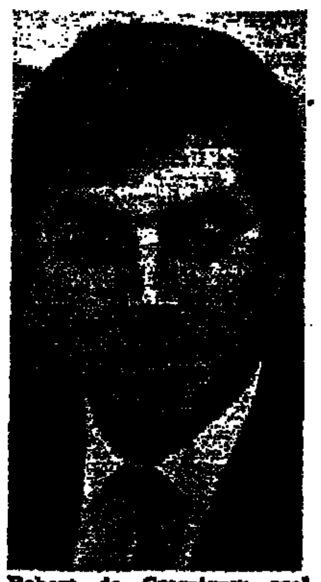
Contrary to the general view, Mr Bond's acquisition does not assure him management control of KMA.

Although he has a big investment in the company, he will not necessarily be able to complete the rationalisation of his Kalgoorlie interests. Homestake of the US holds the remaining 48 per cent of KMA.

There have been discussions between Mr Bond and Mr de Crespigny, described by both as "friendly." At issue in the talks, in which Homestake is also involved, is how the combined interests of the Golden Mile will be managed.

Poseidon and Homestake seem unlikely to permit Dallhold Resource Management, Mr Bond's family company, to manage KMA.

Normandy Resources surprised the market when it gained control of Poseidon a few months ago, buying about 20 per cent of the company for nearly A$80m. Only this week Poseidon's management was reshuffled, its board reduced in size and Mr de Crespigny designated managing director.



Robert de Crespigny: cool detachment

Poseidon promises to be an exciting prospect for Normandy, as the value of its holding could be greatly enhanced by a recent proposal to establish what would be Australia's biggest opencut gold mine, at Kalgoorlie.

KMA is proposing to mine 8m tonnes of ore a year at Fimiston, close to its highly successful Mt Charlotte deep mine (which produces 1m tonnes a year). This would make KMA Australia's biggest producer.

If the proposal proves acceptable it would produce gold at great depth, and with a yield of only 2 grammes per tonne. Yet with vast economies of scale available there would be room for big profits at current metal prices.

Such a venture would lift KMA's gold production to more than 500,000 ounces a year—roughly 16 tonnes—and the equivalent of Australia's total gold production a few years ago.

No figures have been released to show how much the project would cost, but mining experts watching in some awe from the sidelines suggest the figure could be between A$130m and A$140m.

Mr de Crespigny dismisses any suggestion of grandeur in this vision, and tends to explain his decisions with the cool logic of an accountant, which he is. He argues that gold is attractive because it is easily sold, and as a result requires no expensive marketing structure.

However, he is also well aware of the metal's volatility, and frequently warns that the price will eventually turn down. He refuses to put any hypothetical floor under gold prices, but stresses that Australian mines must strive to cut costs to protect themselves against this possibility.

Mr de Crespigny does not speculate on the combined effects of both a stronger Australian dollar and a weaker US dollar price for gold, but the combined effect could test the apparently wide margins of profit that Australian gold producers now enjoy.

He applauds the fact that the current gold boom generally seems to have been better controlled in terms of share market ethics than previous ones—with the incredible excesses of the nickel rush of the late 1960s the outstanding example.

His concern with counter-cyclical investment has led to an ambitious expansion of Command Petroleum (in which Normandy has a 30 per cent interest) which has acquired companies giving it important hydrocarbon reserves throughout Australia. Command has a current market capitalisation of A$80m, and liquid funds of A$18m.

Mr de Crespigny's reserve, and his almost puritanical approach to what he describes as "a bookkeeper's way of investing in resources," set him apart from many of the stock promoters who have made the Western Australian gold scene so colourful in the past five years.

However, he can afford to believe his slightly anachronistic approach is not necessarily wrong. For example, he takes great pains to point out that after the latest fund-raising, his company will be debt-free and have A$95m available for investment.

Mr de Crespigny seems to be unconscious of any parallels with the man who has made the Bell group a success in recent years. It will be interesting to see whether a second exception to the flamboyant Australian style in entrepreneurs continues to flourish if gold's fortunes decline.

APPOINTMENTS

Sir George Jefferson to be chairman of Matthew Hall

Sir George Jefferson has been appointed chairman of MATTHEW HALL from October 1 upon the retirement of Mr Dennis Garrett who has been chairman since 1982. Sir George joined Matthew Hall as a non-executive director on July 1. He was chairman of British Telecom from 1981 to 1987. Sir George is also a director of Lloyds Bank.

★

Mr J. H. D. Bridges has been appointed a director of BOLTON INGHAM (AGENCY).

★

MONEX has appointed Mr N. Brooke and Mr P. J. Kostromin as directors and Mr P. Scrivener as manager.

★

Ms Claire Davies and Mr Gerald Eva have been appointed joint managing directors of PORTON ADVERTISING.

★

Mr Alastair Kerr has been appointed chief executive, MOTHERCARE EUROPE, and Mr Steve Dalloz becomes finance director. Mr Kerr was director of store operations, and Mr Dalloz was European accountant. Mr David Thompson has been appointed finance director of Mothercare UK, and Mr David Evans becomes computer systems director.

★

GREENE BELFIELD-SMITH, has appointed Mr Russell Kett as project director in the hotel consultancy division. He was with Horwath & Horwath (UK).

★

Mr Neil Macdonald has been appointed regional director, Scotland, of SANDERS AND SIDNEY. He was marketing director of the Scottish Development Agency.

★

The Earl of Harrowby will be retiring from the board of NATIONAL WESTMINSTER BANK on December 31. He has been a deputy chairman since 1971. Lord Harrowby will continue as a non-executive director

Sir Peter Walters, a deputy chairman of NatWest

of Coutts & Co. Sir Peter Walters has been appointed deputy chairman of the bank from January 1 1988: he has been a NatWest director since 1981. Sir Peter has been chairman of British Petroleum since 1981. He is president of the Institute of Directors.

★

CALA has appointed Mr Alan W. Downie as managing director for the group's three Scottish housing subsidiaries: CALA Homes Lothian, Aberdeen, and Strathclyde. Mr Downie, who joins the group from Wimpey Homes Holdings, replaces Mr Steve Rosier, who is to be managing director of a new company, CALA Homes, which will act as a holding company for all the group's housebuilding interests. Mr Tony Kelley, at present chairman of CALA's operations in the south, will be chairman of the new company.

★

THE HUNTING GATE GROUP has appointed two main board directors: Mr Jonathan Walters, managing director of Hunting Gate Developments, a major subsidiary which specialises in commercial property; and Mr Ken Price, managing director of Hunting Gate homes.

★

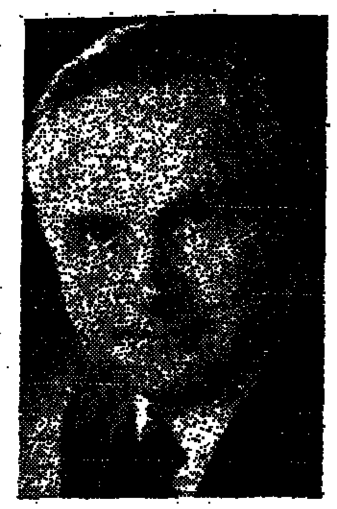
GRANADA GROUP has appointed Mr Peter Davis as a non-executive director. He is chief executive of Reed International. Reed International is a shareholder in BSB; the direct broadcasting satellite consortium of which Granada is a founder shareholder.

★

ICS PUBLISHING CO has appointed Mr John Durbin as financial controller. He was with ITT in Brussels.

★

AIR UK has appointed Captain Alan Cottle to succeed Captain David Henry as operations director on December 1. Captain Cottle is with Royal Brunei Airlines where he is flight technical captain. Captain Henry was recently appointed chief pilot and a director of Air UK



Sir George Jefferson

(Leisure), a new charter airline being formed at Stansted Airport.

★

Mr Tony Leyland, managing director of Sellar Morris Developments' UK operations, has been appointed a director of MARTIN FORD following its acquisition of SMD.

★

HEATH FIELDING LMX, a C. E. Heath subsidiary, has appointed Mr Richard Lay as joint managing director. Mr Peter Gravette, Mr Mark Jones and Mr Christopher Bennett have been appointed assistant directors.

★

Mr A. S. Durward, chief general manager and a director of the Alliance & Leicester Building Society, and Mr J. K. Oates, finance director of Marks & Spencer, have been appointed non-executive directors on the main board of JOHN LAING.

CONTRACTS

Irish company wins big software order

An Irish company's success in winning what is believed to be Europe's largest ever software contract—worth £17m signed with NEC Australia—will be the springboard for a major new Unix joint venture in the UK.

The company is SOFTWARE LABORATORIES, of Bray, Co. Wicklow, which will supply its newly-developed UNIGEM accounting software to NEC Information Systems Pty, of Sydney for distribution throughout Australia and New Zealand.

Software Laboratories is a specialist Unix software house which was set up in 1981 by a consortium of European and US investors. The company employs 50 people and is currently embarking on a major expansion in which the next stage is a significant joint venture project in the UK for which it is now actively seeking a UK partner with marketing and development resources.

UNIGEM (Unix General Environmental Manager), designed at a cost of £1m has a "open" architecture built around a central core of powerful accounting systems. Its flexibility allows for ease of application to an individual user's specific needs. Integrating with the leading Unix packages currently available and with leading networking systems, it runs on a wide range of Unix and non-Unix computers, mainframes, minis and multi-use micros with equal ease.

UNIGEM is available in English, French, German and Hebrew with further language translations in progress. It currently meets the accounting requirements of over a dozen countries.

★

KERRY HANDLING has been awarded a contract worth £370,000 by Fresha Bakeries of Leicester to automate its bread roll production lines. The plant is designed to handle some 22,000 rolls an hour completely automatically with only supervisory staff.

★

In a contract worth more than £2m, British Gas Southern has chosen BRITISH TELECOM to re-equip its trunk communications network. The order is for one of the largest private networks supplied by British Telecom and the first time that a completely ready-to-switch-on system has been provided entirely by British Telecom staff. It will enable British Gas Southern to concentrate most internal telephone, mobile radio calls and data communications over a single integrated digital system. The system will also carry information about pressure and flow in the region's gas grid. Being digital, the new system will enable new kinds of information technology equipment to be connected when required. The backbone of the network comprises a total of 21 microwave radio links, operating at 1.5, 7.5 and 13 GHz. Work will be completed by March 1989, when it will replace the existing analogue equipment.

Plan for £400m Edinburgh Forth facelift

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A PROJECT to transform Edinburgh's Firth of Forth waterfront was announced yesterday. It might cost £400m and would create housing, office space and leisure facilities. Edinburgh Maritime, a joint venture by Forth Ports Authority and GA Group, a Glasgow-based construction and development company, today submits an outline planning application for it to Edinburgh district council.

The scheme would create a high-quality waterfront in an area much of which is unexploited and shabby, and help meet the Scottish capital's need for office space as it develops as a financial centre.

It involves filling in Wardie Bay, a shallow-water area between Leith Docks and Granton Harbour, both of which jut into the firth. The reclaimed area would be filled by sand dredged from the firth.

It would be used for housing, a business park providing 1m sq ft of office and high-technology plant space, a 250,000-sq ft district shopping centre, a leisure complex and a hotel and conference centre.

The scheme would cover 550 acres. It would involve filling in much of little-used Granton harbour and creating a yacht marina. There would be improvements to storage and handling facilities at Leith Docks.

Yesterday Mr Bill Thomson, chairman of Edinburgh Maritime and of Forth Ports Authority, said the project was at an early stage. No potential developers or tenants had been approached.

The Scottish Development Agency, involved in reviving the town of Leith, immediately welcomed the proposals. The agency would offer the project any contribution it could.

Mr Thomson hoped the project would receive public-sector aid, possibly from the agency, for the first stage: infilling and other infrastructure costing about £50m.

He expected that, once it was clear the infrastructure was being put in place, developers would become interested in different parts of the project. The ports authority might invest in the project but its main contribution was the land and seabed it owns.

Mr Jim Gillespie, GA Group managing director and Edinburgh Maritime development director, said that about £135m was being estimated for the cost of housing, £90m for the business park and £45m for the shopping centre. When completed, the project might employ about 8,000 and involve about 1,000 building workers.

Mr Thomson said the timing of the project depended on the planning approval process. However, he hoped the skyline of this part of Edinburgh would look very diffent in five years' time.

Air UK sets up lease deal for two BAe 146 airliners

BY LYNTON MCLAIN

AIR UK, a subsidiary of British & Commonwealth Holdings, is to acquire two British Aerospace 146 four-engine airliners, worth £25m.

The 100-seat aircraft are to be bought by British & Commonwealth, which will lease them to Air UK. The airline is owned 85.1 per cent by British & Commonwealth Holdings and 14.9 per cent by KLM, the Dutch airline.

The first BAe 146-200 airliner will be delivered to Air UK at the end of November for service between Heathrow and Guernsey.

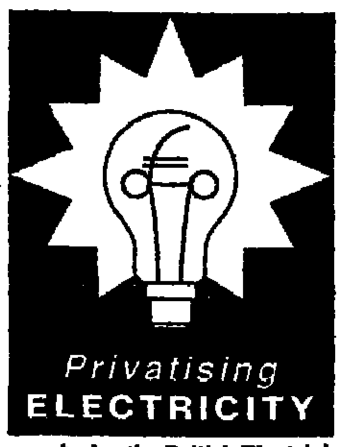
British Aerospace said it was not unusual for it to be able to offer customers aircraft at short notice, because the company builds some aircraft on a speculative basis.

The second aircraft, which will take over the service between Aberdeen, Edinburgh and Amsterdam, will probably be delivered in the spring. But negotiations have yet to be completed on either purchase.

Air UK has also not made a decision on the airliners' maintenance. It is negotiating with British Aerospace and Dan-Air, the only other UK airline to operate the BAe 146, about contracting one of the companies to maintain the Air UK 146 fleet.

Maurice Samuelson continues a series by examining the electricity supply industry's history

Power poised to return to an older generation's ways



BRITAIN'S public electricity supply began modestly with the installation of street lighting in the Surrey town of Godalming 107 years ago.

In the decades that followed, private investors as well as local authorities helped to develop a system that at one point embraced about 600 undertakings. It became a national supply system in 1935 with the first commercial operation of the national grid and 12 years later the whole system was nationalised.

Today the electricity supply industry again faces momentous change, this time from the privatisation proposals of the Government. The shake-up would be more radical even than the 1947 nationalisation, since at that time the industry was already two-thirds publicly owned. That was due simply to the pragmatic way in which the industry had evolved in earlier decades, often under Conservative governments.

From its outset, the industry's development was shaped less by politics than by its technical efforts to supply an ever-growing market with improving levels of efficiency. That has arguably been the case, too, during the years of public ownership.

By general consent, nationalisation provided the platform on which the electricity industry was enabled to play its part in rebuilding Britain's post-war economy. Its main feature was to weld 560 existing undertakings into 14 boards, including two in Scotland, and to put a new body - the British Electricity Authority - in charge of generation and main transmission, central co-ordination and policy direction.

Despite the Conservatives' distaste for state ownership, the nationalisation of the power stations, the grid and electricity showrooms never aroused the same degree of Tory hostility as, for example, the nationalisation of steelworks, mines, railways and other utilities.

When political controversy did arise, it was usually over such national policy matters as the degree of reliance on coal, oil or nuclear power.

The industry did not entirely escape controversy. The debates, however, were less concerned with the question of ownership than with issues such as technical and economic performance, or the quality of planning as investment decisions became more ambitious and technically complex.

The "Lane-Fox" incandescent light in the churchyard at Chesterfield in 1882, portrayed that year in The Graphic

Discussion of the industry's internal structure was marked by uncertainty over the degree of centralisation in investment and in the production, distribution and sale of electricity. Within the industry, there was constant tension between the generating company and the distribution boards. That tended to focus on control of the national grid through which the power stations sell electricity to the distribution areas.

Only one important restructuring has taken place since nationalisation: the creation in 1957 of the Electricity Council, to formulate general policy, and the Central Electricity Generating Board, to own and operate the power stations and the grid. Those bodies have a federal relationship with the 12 area distribution boards.

Since 1957 there have been occasional calls for a more centralised system, but they have invariably went unheeded. To the extent that these statutory organisations have undergone change, it was introduced internally, as in the CEGB's own transformation from a decentralised regional body to a monolithic entity

In 1963, the parliamentary committee on nationalised industries reported that the industry's structure appeared sound, but before the end of the decade opinion had once more swung back in favour of greater centralisation. In 1969, Mr Roy Mason, Labour's Minister of Power, suggested the replacement of the Electricity Council by an authority with powers to plan and control the policy of the whole industry. But legislation along those lines collapsed with the dissolution of parliament in May 1970.

The most radical return to centralisation was tabled six years later by the committee headed by Lord Plowden. After a two-year inquiry, Plowden recommended creation of a central board to take over in England and Wales from the Electricity Council, the CEGB and the area boards.

The Energy Minister of the day - Mr Tony Benn - again promised to incorporate most of the recommendations in new legislation. He too was thwarted by parliamentary constraints.

The prospect of political reform receded even further when, two years later, Mr Benn's Conservative successor, Mr David Howell, announced that there would be no new legislation to reorganise the industry. While acknowledging the need for closer co-ordination within the industry, he said it would be introduced voluntarily within the existing statutory framework.

Under its federal structure, the Electricity Council remains a notoriously unwieldy organisation, whose proceedings are said by participants to resemble a college of cardinals, in which one of the few areas of agreement is on the imperfection of the system.

If the CEGB were reluctantly to surrender control of the national grid, the clock would be turned back to the days of the Central Electricity Board, set up in 1926 to build and operate a grid without owning the power stations. There were many competing power station companies and shared control of distribution.

It remains to be seen whether similar competition could be achieved without reviving the duplications and overcapacity that led to public ownership and central administration in the first place.

Doubt over waste land reclamation

BY HAZEL DUFFY

GOVERNMENT GRANTS for the recovery of derelict land have largely failed to bring economic benefits to particular areas, but have been much more successful in environmental terms, according to a recent study.

The study of derelict land grant schemes carried out by consultants Roger Tym and Land Use Consultants for the Department of the Environment found that about a third of sites intended for industry or commerce were still vacant.

The main reason for land remaining vacant is inadequate demand, with incomplete or inadequate reclamation another, but less important constraint.

The findings might shape government policy on urban development corporations, where a key concept is that land reclaimed with government money will attract the private sector.

The study found that reclaimed sites that had been developed and occupied had been an economic success.The average investment in land for industrial and commercial use was £10 for every £1 of public money, and £6 for every £1 when used for housing.

Present grant policy is to give a high priority to applications where such "hard" end uses are proposed, particularly in urban areas.The study recommends that as quite a high proportion of such sites remain vacant, the policy should be modified:

- Priority for "hard" end uses should be applied flexibly and balanced against environmental and safety benefits.
- Pre-reclamation surveys and feasibility studies be encouraged.
- Reclaimed sites awaiting development be landscaped to produce environmental benefits.

Severn barrage wildlife study

By Maurice Samuelson

THE SEVERN barrage, the world's biggest project for generating tidal electricity, yesterday came a step closer to being realised on the Government's announcement of studies into its possible effects on the area's bird and fish life.

Mr Michael Spicer, the minister responsible for renewable energy, announced the £300,000 study programme when he visited the estuary accompanied by officials of the Central Electricity Generating Board and the Severn Tidal Power Group, a consortium of six engineering companies.

The minister described the barrage as a vast and exciting enterprise.

The barrage, costing £5.5bn at 1984 prices, would be about 10 miles long and could start contributing up to 5 per cent of the UK's current electricity needs from the start of the next century.

Selfridges to have Quilter share shop

QUILTER GOODISON, the stockbroker, yesterday announced the opening of a share shop in Selfridges, the department store in Oxford Street, London.

The QGC Money Centre is Quilter's third share shop - the others are in Bristol and Truro. It replaces a shop Quilter used to operate in Debenhams, another Oxford Street store, which is now running its own share shops.

Commissions for using the service will be 1.6 per cent with a minimum of £25.

Company Notices

ANNOUNCEMENT

As a courtesy to:
THE PEOPLE'S REPUBLIC OF CHINA
and
THE SHANGHAI MUNICIPAL PEOPLE'S GOVERNMENT
It is hereby published that:
SHANGHAI MUNICIPAL CONSTRUCTION ENGINEERING COMPANY (SMECO), wholly owned by
SHANGHAI MUNICIPAL ENGINEERING DESIGN INSTITUTE (SMEDI), of Shanghai, China
and
I. Krüger A/S (KRUGER), of Copenhagen, Denmark
have jointly established:
SHANGHAI SMEKRU MUNICIPAL ENGINEERING COMPANY LIMITED (SMEKRU)
approved and registered in accordance with the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" - a singular event.
The SCOPE OF ACTIVITIES of SMEKRU covers all services in connection with municipal engineering projects, such as water supply, domestic and industrial waste water treatment, night soil treatment, solid waste treatment, gas systems, hydraulic engineering, district heating, as well as general management and consulting assistance.
The Board of SMEKRU can decide that also projects in the field of infrastructure (such as roads, bridges, tunnels, town planning, housing schemes and also irrigation) as well as energy projects (such as thermal and nuclear power stations) can be undertaken.
The AREA FOR THE ACTIVITIES covered by SMEKRU is China and abroad.
Copenhagen, this day of September 3rd, 1987.

I. Krüger A/S
Joint Investor in SMEKRU

YAMAHA MOTOR CO., LTD.

U.S.$100,000,000 3 1/8 per cent. Guaranteed Notes due 1991 with Warrants

Notice is hereby given in accordance with Condition 12 of the Notes and Condition 11 of the Warrants of the appointment of a disbursement agent, in respect of the above Notes with Warrants in place of the Fuji Bank, Limited at its London office as Principal Paying Agent. The appointment takes effect from 7th August, 1987. The Fuji Bank, Limited at its London office will continue to act as a sub-paying agent and warrant agent. The specified office of the Disbursement Agent is at:

The Fuji Bank and Trust Company,
1 World Trade Center,
New York, N.Y. 10048

Telex No: FUJTR 425777
Attention: Trust Department

Payments of principal and interest will not be permitted at the office of the disbursement agent.

YAMAHA MOTOR CO., LTD.
17th September, 1987.

CHANGE OF ADDRESS OF PAYING AGENT

Bank of Tokyo (Curacao) Holding N.V.
£30,000,000 Guaranteed Floating Rate Notes Due 1990

We wish to give notice that The Bank of Tokyo (Holland) N.V. will, effective 7th September 1987, reside at:

WORLD TRADE CENTER
STRAWINSKYLAAN 565
1077 XX AMSTERDAM
NETHERLANDS

Bank of Tokyo International Limited, London. (Fiscal Agent)

17th September, 1987

NOTICE OF PREPAYMENT

Caisse Française des Matières Premières (CFMP)
100,000,000 United States Dollars Retractable Bonds
Issued on November 19, 1981

Interest rate: 12.35% p.a. for the period from November 19, 1984 through November 18, 1987

In accordance with paragraph "Prepayment at CFMP's option" of the terms and conditions of the Bonds, notice is hereby given that CFMP will prepay at par on November 19, 1987 the total amount remaining outstanding of the above-mentioned Bonds (i.e. US$32,110,000).

Payment of interest due on November 19, 1987 and reimbursement of principal will be made in accordance with the provisions of the Bonds. Interest will cease to accrue on the Bonds as from November 19, 1987.

Luxembourg, September 17, 1987

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

THE COPENHAGEN COUNTY AUTHORITY
20,000,000 European Units of Account
8¾% 1979/1991 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased during the twelve-month period from September 10, 1986 to September 9, 1987. Amount outstanding: UA 18,075,000.

THE COPENHAGEN COUNTY AUTHORITY

September 17, 1987.

Personal

GEORGIAN BRANDY FOR SALE—Master Construction Industry, P.O. Box 22, SF-79101 Lappeenranta, Finland. Phone: 358-73-41411, telex 4325 mrtt sf, facsimile 358-73-42725.

Thatcher dents cities' cash hopes

BY IAN HAMILTON FAZEY AND HAZEL DUFFY

NO EXTRA money for the Government's inner cities programme is expected to emerge from the current public expenditure round. Instead, ministers will be told to concentrate on more effective spending of existing money and particularly on projects which directly create jobs.

Mrs Thatcher, making the first of her visits to English inner cities, said in Teesside yesterday: "We are looking at targeting the money better and taking it away from where it is not producing jobs." That could mean less money channelled through the local authorities and more through central government projects.

But she left open the possibility that higher revenues from a buoyant private sector could lead to increased allocations overall in the future.

"The money comes not from government. Government has not got any. The only money we can use is from taxing successful businesses and the people who work in business. Mercifully, business is now doing well".

The Government has already sanctioned around an extra £160m over the next five years for each of the four new urban development corporations, one of them in the Teesside area, in the north-east of England. Mr Nicholas Ridley, Environment Secretary, is anxious to announce a new round of UDCs, for which funding would need to be in place by 1989-90.

The next indication of the Government's plans for the inner cities could come in the form of a policy statement in the autumn. A proposed programme giving priority areas for Government spending is being drawn up by a team of civil servants attempting to co-ordinate the present array of policies. It is expected to be submitted to the cabinet committee on inner cities, chaired by the Prime Minister, in a few weeks.

Mrs Thatcher's visit yesterday was carefully stage-managed. She visited industrial wasteland in an area which has been devastated by industrial restructuring and withdrawal, a small "high tech" estate in the Middlesborough enterprise zone, a private housing development in the inner city and a precision engineering company.

There were few spectators, and only one demonstration organised by the National Union of Public Employees and the Middlesborough Communist Party. Some of the "walkabout" phases of the tour had the flavour of a royal progress as she paused to talk to spectators.

Mr Stuart Bell, Labour MP for Middlesbrough, walked through the demonstrators to cries of "traitor" as he went to meet Mrs Thatcher privately. "I'll do more good on this side of the fence than on yours," he retorted, saying that he wanted to impress on the Prime Minister that the Government should work more with the local Labour councils instead of trying to bypass them.

Steel faces Liberal revolt over policy stances for merger

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal Leader, faces a possible rank-and-file revolt at his party assembly this afternoon, about whether central policy stances should be agreed with the Social Democratic Party before a new merged party is set up.

A sizeable group of Liberals is concerned that a joint statement might include a reference to retaining a British nuclear capability. They have put down an amendment to the motion of merger talks, stating that no policy discussions should take place until after a new party is formed.

Both Mr Steel and Mr Robert Maclennan, the SDP Leader, yesterday made clear their belief that the broad policy stance and identity should be known before a merger. The two leaders and possibly their fellow MPs would issue a joint declaration before members of their two parties vote on a merger early next year.

Both leaders distinguish such a declaration from the preamble on broad policy principles to be included in the constitution of the new party as well as from detailed policies on, for example, weapons systems which would be decided by members of the new party.

Leaders of the pro-merger majority in the SDP regard it as essential to reach such an understanding on defence before a merger decision, if the number of opponents in their party is to be minimised. SDP Leaders believe that if the defence

Robert Maclennan: opposed to 'blank cheque'

stance is agreed the 42 per cent of party members who opposed merger talks in last months ballot might be substantially reduced, and Dr David Owen the former party Leader might be isolated.

In a well-received speech Mr Maclennan said it was necessary to define the policy stance to establish the identity of the new party. Hence he did not favour 'a blank cheque approach.'

He irritated such Liberal activists when he said the two parties 'commitment to selective security in Nato should involve 'retaining a nuclear element in Britain's defence capability for the foreseeable future.

Conference report, Page 13

Coal users confident as dispute looms

BY MAURICE SAMUELSON

ALTHOUGH the then National Coal Board was victorious in the miners' strike of 1984-85, it was frequently upstaged in the public relations war by Mr Arthur Scargill, the National Union of Mineworkers' fast-talking president.

Mr Scargill, who has never conceded defeat over the year-long dispute, has again been winning public relations bouquets in the countdown to next week's overtime ban.

But users of coal confidently agree that they are more immune than ever to a new round of industrial action in the pits and that the miners will be the prime victims of any attempt to reopen hostilities.

Sir Robert Haslam, British Coal's chairman, has echoed Mr Scargill's warning that a ban could cut output in the affected areas by up to 20 per cent, slashing revenue by some £10m a week.

Arthur Scargill: winning public relations bouquets

This calculation seems to be based on the fact that a full overtime ban would prevent production of coal on Mondays, which would be devoted instead to the statutory maintenance work normally carried out at weekends.

Unofficial estimates are less dramatic. Given a possible lack of militancy on the part of many miners, who would stand to lose between £50 and £100 a week in bonuses in the pre-winter months, and the fact that this time the NUM is not threatening to remove safety cover in the pits, the loss of output may be little more than 5 per cent.

Much will depend on the duration of a ban. In the past, protracted bans have had a cumulative effect. The six months' ban which preceded the 1984-85 strike ultimately reduced output by half, seriously denting customer confidence and inviting a swelling tide of imports.

This time, a ban would come against a backdrop of the most dramatic productivity improvements in the industry's history - a 21 per cent improvement last year alone.

These improvements are likely to continue. Although a ban would inevitably damage British Coal's financial performance this year, it would have to continue right through the winter to torpedo the corporation's hopes of breaking even in the next financial year.

That is because the break-even strategy depends on long-term effects of investment in heavy-duty face equipment and the huge manpower reductions which are now settling at a lower level.

In the meantime, coal sales to the power stations have been healthily buoyant, thanks to the higher than expected demand for electricity, especially from industry, and the poor performance of the Central Electricity Generating Board's advanced gas-cooled reactor nuclear power stations.

In the CEGB itself, nobody seems to be batting an eyelid about the operational effects of the ban. Coal deliveries have been running at a high level and there is no suggestion of importing more coal or burning more oil.

The power stations hold high stocks: those of the CEGB and its Scottish counterparts have 25m tonnes in their yards, only 5m tonnes below the level just before the 1984-85 strike and equivalent to four months' normal consumption without switching on the oil-fired plants.

There is also a further 7m-8m tonnes of stocks held by British Coal at pitheads and other strategic points around the country.

The CEGB's confidence reflects the experience it gained in surving the 1984-85 disruption; its belief that the important Nottinghamshire coalfield is more disaffected than ever from Mr Scargill; its ability to switch on in its big southern oil stations; and the abundance of cheap foreign coal available for the coal burners on the Thames.

Other coal consumers display similar lack of concern. "Most of our members are sanguine at the moment," says the Chamber of Coal Traders, which handles supplies to the domestic and industrial markets other than the power stations and steelworks.

For British Coal, therefore, it is the image projected by the dispute which hurts most. The confrontation makes a mockery of the claim that there is a new mood of realism in the pits and that the "bad old days" of strikes and unreliability are gone for ever.

Perhaps most important, the looming clash adds force to the pointed observations by the electricity industry that, once it is privatised, it will be free to import as much coal as it wants.

Building societies plan £10bn merger

BY HUGO DIXON

WOOLWICH Building Society and Gateway Building Society are planning to merge in what would be the second largest society merger ever.

The merger will in effect be a takeover of Gateway, Britain's fifteenth largest society, by Woolwich, the fourth largest. The new society, to be called Woolwich, will continue as the country's fourth largest society with assets of £10.2bn.

Gateway said it was merging because it was too small to compete effectively in today's rapidly changing financial services market. It also expects to derive economies of scale from being part of a larger group.

"Societies of the size of Gateway will not be able to offer all the services the customer wants," Mr Michael Gibbs, its managing director, said.

Recently, societies have been feeling the pinch of competition in the mortgage market from banks and specialist mortgage lenders. At the same time, the smaller societies have not had the human or financial resources to take advantage of the diversification possibilities allowed under last year's Building Societies Act.

At the beginning of this month, the £18bn merger between Nationwide and Anglia building societies was completed. Similar reasons of more effective competition and economies of scale were given for the union.

Analysis, Page 14

Crownx offer prompts takeover panel ruling

BY DAVID LASCELLES, BANKING EDITOR

BRITISH & Commonwealth's £545m bid for Mercantile House was thrown into confusion yesterday by a dramatic intervention from Crownx, a leading Canadian financial services company.

Crownx announced a last minute counter-offer for two money broking units of Mercantile House which B&C has already agreed to spin off to Quadrex, a securities company.

Crownx is offering £280m for the units, the same as Quadrex. But in order to win Mercantile shareholders' support, the Canadian company is also offering to pay 10p per share directly to those of them who approve the B&C bid, provided that the broking units are sold to Crownx instead of Quadrex. This raises the total value of its offer to £289m.

The unusual terms - which takeover specialists said were unprecedented - caused a storm in the City of London and forced the Takeover Panel to summon a full meeting today to rule on their legitimacy. Mr Gary Klesch, the owner of Quadrex, denounced them as "a bribe" and Samuel Montagu, his merchant bankers, said they were "a grotesque ploy" which would cause mayhem in the takeover market if they were allowed.

Crownx defended them on the grounds that they would bring benefits to Mercantile's shareholders, who might otherwise lose out on the bidding for the broking units. Kleinwort Benson, who are advising Crownx, met the Panel's executive yesterday to explain the terms. Crownx itself has owned 14.9 per cent of Mercantile since last January.

Panel officials are understood to have made a ruling last night on whether Crownx could proceed. But they did not disclose it. Instead, they will put it to the full Panel for approval today because of the certainty that the losing side would appeal to the Panel anyway. The executive were also dictated by the urgency of the situation. Mercantile shareholders are due to vote on the spin-off agreement with Quadrex next Monday.

Crownx, which is based in Toronto and has interests in financial services, health care and information technology, said it was keen to expand in the international financial markets. It said that Mercantile's money broking units, Marshalls based in London and William Street in New York, represented an attractive opportunity to pursue that strategy.

Crownx's offer has the support of the executives of both Marshalls and William Street who made clear their opposition to the Quadrex deal. If Crownx wins the units, it has pledged to offer up to 40 per cent of the stock to the two companies' management.

Lex, Page 18; Analysis, Page 24

Maclennan resists policy 'blank cheque'

SOCIAL DEMOCRATS and Liberals should not give a merged party a blank cheque on policy issues, Mr Robert Maclennan, leader of the SDP, told the Liberal Assembly.

In a speech to an attentive and appreciative audience, Mr Maclennan set out the principles that would give an identity to an embryo party. Afterwards delegates gave him a standing ovation lasting several minutes.

Even his proclaimed commitment to retaining nuclear weapons in Britain - fervently opposed by some Liberals provoked no hostile reaction.

Reports by MICHAEL CASSELL, TOM LYNCH and RALPH ATKINS Picture: ALAN HARPER

WORK STUDY: Robert Maclennan preparing his speech

Mr Maclennan accepted that it must be the membership of the new party which decided detailed policy but insisted that the parties sought to address a larger potential audience than existing members.

"It is the identity of such a great new, national party which will draw in that wider membership," he told delegates. "It is the political stance of that party on the major issues of the day which will set out that identity."

This, he said, ruled out the "blank cheque" approach to negotiations. "But let me assure you that neither is it my desire to seek definitions and additions down to the last decimal point."

Mr Maclennan avoided specific policy topics. Instead he spoke of a party which would tackle social deprivation, be committed to competitive markets and the renewal of Britain's "secretive, centralised and unjust" democracy.

Together, he said, Liberals and Social Democrats would seek to "enrich our country's civilisation" through the arts and science as well as through material wealth.

"We intend to banish the dark injustices, the blind inhumanity and the unfair discrimination which still scar Britain today."

On defence, he told Liberal delegates: "We must proclaim our commitment as internationalists to the collective strategy of Nato for defence and disarmament, retaining a nuclear element in Britain's defence capability for the foreseeable future."

He said Social Democrats remained committed to the principle of one member, one vote. In a half-joking stab at Mr David Steel, he added: "Speaking for myself, one member, one vote carries a far more resonant ring to it than one leader, one veto."

He described himself as a "candid friend" of the Liberal Party who was "determined and dedicated" to the task of merger.

"My task is to serve a third force for the British people - effective because it is unified."

The SDP leader said merger negotiations would include many opportunities for input from members of both parties: "Those of us who seek to lead can only do so if we first listen.

He likened the division and disputes within the Alliance parties since the general election to the swift decline of the Emperor Napoleon.

"It took Napoleon 100 days to progress from a small, warm, comfortable Mediterranean kingdom to a minute, cold, miserable, Atlantic island prison."

To laughter from delegates, he said this was "very nearly what our two parties did to ourselves during the hundred days since the election."

Yet he believed the parties now had an opportunity to create a new force in politics.

"We must set our sights high - both to remain true to those 7m Alliance voters of June and, most critically, to those potential millions more who have, so frustratingly, wished us well, asked only that we get our act together, and not, as yet, given us their votes."

The "creative spark" of the Alliance parties, he believed, was sorely needed in the "dreary politics of contemporary Britain."

The Labour Party, he said, was part of the "sordid establishment" in the UK while the Conservatives were led by, Mrs Thatcher, a "deeply flawed leader."

Tories seen as party of 'monopoly power'

THE CONSERVATIVE claim to be the party of the free market was strongly disputed yesterday by Mr Malcolm Bruce, the Liberal trade and industry spokesman in the Commons.

He told the debate on social and economic divisions in the UK that the Liberals were believers in the free enterprise economy which "is being challenged by the Conservatives because they are distorting it, abusing it and creating monopolies.

"Far from being a government and a party of free enterprise and market forces, it is a party of monopoly centralised power and market distortions which work against freedom of choice and opportunity for the great majority of British people."

Mr Bruce argued that a massive imbalance had developed between London and the rest of the UK. "The concentration of economic power in London is now so great it is frustrating the operation of market forces. London has become a black hole which sucks in talent and resources from all the regions in the rest of the country."

One result of this trend was that London and the home counties were "choking to death," as reflected in high property prices, the erosion of the green belt, the "nightmare" of commuter travel, skill shortages in industry and high office rentals.

Mr Bruce called on Liberals to "challenge the centralised notion that Whitehall and company office know best and the only intelligent decisions will be made in London."

The conference instructed the party's policy committee to form a standing commission to develop policies before next year's assembly to counter social and economic divisions between areas of the UK.

Guardians at the grassroots in no mood for takeover

NO faction within the Liberal Party organisation will be keeping a closer eye on the progress of the forthcoming merger talks with the Social Democrats than the Association of Liberal Councillors.

The ALC, co-ordinating support for nearly 4,000 Alliance councillors around the country, represents the cornerstone of Liberal commitment to community politics and is determined to see that any newly created party is acceptable to "grassroots" opinion.

One of the lingering ironies surrounding the failure of the old Alliance is that while its national leadership struggled unsuccessfully to remain united, relationships at local level managed to exceed the expectations of many party activists.

Ms Margaret Clay, as general secretary of the ALC one of the most influential party activists, says that the question of merger would probably not have arisen but for the united efforts of activists and councillors - Liberal and SDP - around the country. She believes that as many as 95 per cent of Liberal councillors now want the sort of merger which has already become reality at local level.

She is adamant that any deal will not mean the sort of Liberal takeover hinted at by some of her more outspoken colleagues but is equally determined that negotiations must be carried out on a "bottom up" basis involving those Liberals who have apparently made a better job of co-operation than those at the top of the party.

Maggie Clay, a redoubtable organiser and tenacious proponent of local Liberalism in action, stresses that activists will not accept merger at any price. She says that the core values of her party, as expressed in the constitution, must form the basis for any agreement.

Any emerging party, she adds, must have fully democratic structures for developing policy that are not dominated by any small, centralised caucus.

Initial policies, she emphasises, must also be settled by the membership and not fixed by a negotiating team in a way which so obviously let the Alliance down last time.

The ALC wants to see the immediate establishment of a constitutional commission, comprising one respectable figure from each party, which will gather evidence from around the country to establish a structure for the negotiations and to identify areas for discussion.

The negotiating team, according to the ALC's submissions, should consist of a minimum of 12 people, elected by the party council, as well as representatives from Wales and Scotland and others appointed by the national executive.

MICHAEL CASSELL on the attitude of the Association of Liberal Councillors to merger negotiations

As for obstacles during the negotiations, Ms Clay told the assembly on Tuesday that there were grave doubts about the SDP's constitution which could give rise to severe difficulties during the talks. Apart from "one member, one vote", the SDP was centralised in a way which was alien to Liberals.

Whatever the difficulties, everyone is agreed that speed is essential, not least because of next May's local elections. If a new, united party is not in existence then, the ALC says it will simply get on and make the best of a bad job, although it believes the year-end deadline for the completion of talks can be met.

Policy, it believes, should ideally be hammered out at the new party's first conference next autumn.

Leadership sets out basis for negotiations with SDP

AFTER a six-hour session which went into the small hours of the morning, the Liberal Party leadership yesterday published the motion which will form the basis for the forthcoming talks with the SDP on the creation of a new political party.

Delegates will vote on the the motion today and if, as looks certain, the party gives the green light to merger talks, the assembly will tomorrow vote to choose members of the negotiating team.

There was some concern among the leadership last night that the team - to be headed by Mr David Steel, the Liberal leader - could prove too large and thereby complicate the talks. Even so, delegates will today be given the chance to opt for five or eight elected people to complete the negotiating committee.

The assembly will also be able to vote on whether or not it thinks a full party ballot on the merger issue is necessary. In spite of the overwhelming support for merger apparent at Harrogate, the leadership last night appeared uncertain whether delegates would still want to put it to a vote before talks begin.

The motion calls on delegates to recognise a new political party founded upon the values and principles dear to both Liberals and Social Democrats. It calls also for a "statement of principles", but avoids any reference to the need for discussion on detailed policies before the creation of a new party.

Mr Robert Maclennan, the SDP leader, yesterday defined his own position on the issue by saying the two parties first had to agree principles, to construct a new constitution and, perhaps most critically, also seek to define the policy stance for the new party. The membership, he said, could then be left to debate and decide the detail of policy matter.

Johnston urges Scottish Assembly elected by PR

THE LABOUR PARTY was yesterday challenged to accept proportional representation as the price of building united pressure from the Opposition parties on the Government to concede a Scottish Assembly.

Sir Russell Johnston, MP for Inverness, Nairn and Lochaber and leader of the Scottish Liberal Party, asked: "What does the Labour Party consider to be the more important? To obtain self-government for Scotland - to which it claims to be committed - on an agreed basis or to prevent the introduction of a fair voting system?

"If the Labour Party said it would accept PR, this would open the way for the Conservatives to reappraise their position without surrendering political power, which is an unrealistic thing to ask for."

Sir Russell argued that the Government would never concede an assembly under present electoral rules, which would ensure the Labour Party's dominance. If Labour accepted PR for elections to the assembly, Labour would not be able to expect an overall majority with the 42 per cent of the vote which won the party 50 of Scotland's 72 parliamentary seats in the general election.

The conference passed unanimously a motion reaffirming "its long-standing commitment to the establishment of a Scottish parliament, elected by proportional representation, with responsibility for all domestic affairs and services in Scotland and with major economic and revenue-raising powers."

School policy condemned

A NATIONAL campaign by Liberals against the Government's proposed education reforms was promised by Mr Paddy Ashdown, the Liberal education spokesman in parliament.

He told the assembly that a campaign involving MPs and councillors would be launched in November against the Education Bill, which allows schools to opt out of local authority control.

The assembly unanimously passed a motion condemning the Government's "clear intention to carry through reforms damaging to any children."

Fleet decline 'could lower war threshold'

THE DECLINE of the British merchant shipping fleet could lower the nuclear threshold in time of war, Mr Simon McGrath (Holborn and St Pancras) told the assembly.

During a debate on shipping and shipbuilding, he said the Government had failed to learn the lessons of two world wars, when the major threat to Britain's survival came during the battles to keep the supply lines across the Atlantic open.

Instead, the Government has brought about a situation where the country could be severely threatened by the sinking of a relatively small number of ships, thus bringing forward the possible use of nuclear weapons.

Mr Jim Wallace, the MP for Orkney and Shetland, said: "By refusing to intervene, the Government might be said to be guilty of unilaterally cutting one major defence element."

The conference adopted a motion calling for action to support shipping and shipbuilding, including a scrap-and-build policy, pressing for an end to subsidised competition and insisting that ships built with taxpayers' money be built in British shipyards.

Party-to-be searches for fresh message and a messanger

THE LIBERAL Assembly has been so preoccupied with the mechanics of setting up a new party, that comparatively little thought has been given to selling it to the electorate. Yet after the rows of the past three months the idea of the Alliance as a partnership of principle is clearly discredited.

A relaunch will be needed to create momentum and credibility among existing members of both parties and potential new supporters. It is a matter of Mr Robert Maclennan, the SDP leader, yesterday described as its "identity."

It involves defining a position in the political spectrum in the face of a probable squeeze from the Tories and a changing Labour Party. How much is it a question of trying to replace Labour as an alternative to the Tories, as most Liberals argue, or of creating a strong third force, as Dr David Owen previously saw the SDP's role in politics?

The need to create a distinctive identity is part of the wider debate about how to respond to Thatcherism. Mr David Steel will give some pointers in his leader's speech tomorrow afternoon. A preview was given during Tuesday's strategy debate by Mr Richard Holme, his political adviser. He talked of an approach involving a "better individualism" than that offered by the Tories.

This would involve an emphasis on more competition and higher standards in public services together with a stronger enforcement of anti-monopoly policy in the private sector. There seems to be competition among the opposition parties about who can appear more as the consumer's friend in the wake of the British Telecom row.

But can a fresh message be put across without a new messenger? There have been rumblings among a number of Liberals that after 11 years and the failures of the general election campaign it is time for Mr Steel to stand down. But this is a minority viewpoint.

Alan Beith: Doubts on charisma

PETER RIDDELL on the challenges facing a merged party

Mr Steel certainly has his critics as a result of his lacklustre election campaign and absence of interest in the details of policy. Yet, now freed from the shadow of Dr Owen, he is in self-confident and lively form. In the short term there apears to be no alternative leader who might avoid potentially serious divisions in the new party.

Mr Steel has been non-committal about the leadership of the new party. Yet his friends suspect he would be willing to serve, at least for long enough to get the party off the ground. They believe, however, that he wants to leave open the question of whether he would remain up to the next election until he has seen how the party is doing in a year or two's time.

The obvious alternative would be Mr Paddy Ashdown, but he would be unacceptable in the short term to many in the SDP in view of his previous views on nuclear defence policy. An Ashdown candidacy might deter undecideds in the SDP from joining the new party.

Mr Ashdown is also far from universally popular among Liberals, notably the party's MPs, some of whom have regarded him as erratic. A warning by fellow MP Mr Alex Carlile against anyone staking a claim to the leadership was clearly aimed in his direction.

If there is a leadership contest presumably Mr Alan Beith, the party's deputy parliamentary leader, and Mr Malcolm Bruce might stand. Mr Beith is one of those consistently underrated people of good judgment who would prosper in government. As one colleague put it: "When they handed out the charisma, Alan was in the bar having an orange juice."

Mr Bruce, who only entered the Commons in 1983, has some following, but has yet to show the necessary depth for a leader. Mr Robert Maclennan does not look a possible leader for all the respect he has gained in both parties as a caretaker.

However, Mr Charles Kennedy has impressed many by his political judgment over the summer and his conference speeches. At 27 he has plenty of time on his side. One party leader half-jokingly suggested that the leadership was clear well into the next century - Steel, Ashdown, then Kennedy. That, of course, assumes that the party finds a role and voters to sustain it that long.

Deprived areas fear loss of EC regional funds

BY QUENTIN PEEL IN STRASBOURG

BRITISH regions look set to do badly in future distribution of cash from the European Community regional fund. That is because of the entry of Spain and Portugal and a planned change in the formula for calculating regional deprivation.

Hardest hit may be the Highlands and Islands of Scotland, including the Orkneys and Shetlands, which might be cut off from all access to the regional fund.

The Highlands and Islands Development Board has mounted a lobbying effort in the European institutions to achieve a change in the rules, to ensure that one of the remotest and most sparsely populated regions of the Community is included for grant aid from Brussels.

All the UK regions face a squeeze under proposed rules for the £1bn Regional Fund, which would allocate 80 per cent of the money to the poorest regions, and only 20 per cent for those suffering from industrial decline and long-term unemployment - the category under which most British regions would hope to benefit.

That plan put forward by the European Commission in July is being strenuously resisted by the British Government and representatives from the industrial north, who foresee a high proportion of the funds going to the southern states.

At the same time, the last EC list classifying regions according to relative prosperity, published in July, came to the apparently absurd conclusion that the Highlands and Islands of Scotland were more prosperous than English counties such as Kent and Lincolnshire.

Mrs Winnie Ewing, the Scottish National Party MEP, said the calculation was based on outdated 1981 figures submitted by the UK Government, when some 12,000 people were employed in the oil industry. Only 2,000 were still employed today, she said in the European Parliament.

Mr Edwin Eunson, convener of the Orkney Islands Council, told members of the parliament in Strasbourg that a sudden withdrawal of Brussels funds would have "disastrous effects." A £13m programme of telecommunications investment might be threatened if there were no regional grant.

Mr Sandy Matheson, convener of the Western Isles Council, said a plan to link the isles to the mainland electricity grid and new terminals for a ro-ro system planned for the northern Orkneys might be affected.

The councils want new criteria built into the European Commission calculations, including the relative remoteness of a particular region, and the sparsity of its population. They say that even if the UK gets more money for areas of industrial decline, the more deserving Highlands and Islands will still lose out unless they can somehow be reclassified.

CBI puts priority on competitive production

By Hazel Duffy

THE Confederation of British Industry is planning to take a more positive, forward-looking role in securing an environment in which British business can prosper.

High among priorities of the new strategy approved yesterday by its council will be the promotion of an internationally competitive manufacturing base.

Sir Trevor Holdsworth, deputy president, will present the CBI's manufacturing strategy to the meeting of the National Economic Development Council next month.

The emphasis in future, however, will be less on lobbying the Government to do things than on putting the responsibility on commerce and industry to take advantage of currently buoyant economic conditions.

Sir David Nickson, president, admitted that if the CBI did not come up with a more forward looking and positive role, it would be "left behind on the beach."

Mr John Banham, director general, said: "We see the Government as basically benign, friendly and looking for help. And we are anxious to give that help."

Mr Banham, who took up his post in the spring, has had to modify his original proposals to include a much greater emphasis on manufacturing, to push members to inject a more international, and particularly European, dimension into their activities, and to pledge the CBI to continue the fight for a reduction in industry's energy costs.

Details of the strategy, however, are vague. It seems likely to be more a presentational change that recognises that the CBI endorses the policies of the present Government and will gain more respect from ministers by projecting itself positively.

Extensive consultation of members has shown they want the CBI to:

- Keep the costs of legislation and regulation on business under control by reinforcing its capability to influence the Government and the European Community - a current example is the pressure the CBI is putting on the Government to reduce business rates, by withdrawing its support for the community charge proposals.
- Promote a manufacturing base to complement the developing strengths of the service sector.
- Propose specific steps to remove the competitive handicaps outside the control of individual businesses, particularly in the education system, where the CBI wants to act as a partner.

Terry Dodsworth looks at the argument over British Telecom's choice of chairman

The worries about BT's internal wiring

THE CRISIS over British Telecom's quality of service has arisen so abruptly over the past few months that what might have been a routine choice of a new chairman has suddenly become a national issue.

Mr Iain Vallance, moving into the hot seat after a lifetime with the group, has been made painfully aware that he will be under relentless scrutiny for some time to come. He must be equally aware by now that most of the British managerial establishment thinks he is the wrong man for the job.

The case against Mr Vallance, in very general terms, is that what BT needs at the moment is an outsider who will come to the group with fresh ideas. The company has all the specialist knowledge it could possibly need, the argument goes. But it could do with a shake-up, it must clean up its public image, and could use a manager with the vision to grasp the exceptional growth opportunities opening up in telecommunications.

In a letter to The Times this week, Mr John Raisman, deputy chairman-elect, made clear that the board was equally concerned about what he called the "pressing nature of the problems facing BT."

But that challenge, he said, had brought the board to the opposite conclusion - that an outsider would have had "to surmount an extremely steep learning curve" about a complex business, and that the time was "not really available."

Mr Raisman also makes the point that the board felt it was important to appoint a chairman who could "command the loyalty and respect of the staff" - an issue that is frequently mentioned by other senior managers. But the point about the learning curve is probably the most important because it is one on which other senior executives and consultants disagree strongly.

"Absolute rubbish," is how one chairman of a nationalised group described it this week.

The consensus view among managers is that, at the level of chairman, the issues from company to company are very much the same. In other words, if the executive is senior enough, the "learning" involved in a new company will not be particularly difficult.

"You don't need to know how to put in a new telephone line to be chairman of BT," as the chairman of another company put it. "But you do need to know how to spot the weaknesses in an organisation, how to deal with the City, and how to deal with the outside world in a way that will be taken seriously."

For most senior managers, the issue at BT is not so much one of its technology, and whether or not it is difficult to learn, but the judgment of exactly what sort of crisis has hit it. Is the company basically sound and effective, suffering only from a short-term difficulty inherited from the strike earlier this year? Or is it being shaken by more fundamental ailments?

Many executives say that if it is the former, there is no need to go outside to recruit. "I think you should promote from inside generally if the company is in good shape, morale is high, and you have the talent," as Sir Michael Edwardes, the former chairman of British Leyland, puts it.

If, on the other hand, the company does have more deep-seated troubles, promotion from inside is dangerous. Many big household-name companies, do, of course, promote exclusively from inside - groups such as Imperial Chemical Industries and Unilever in the UK, and International Business Machines, General Electric and General Motors in the US. They appear to have developed the knack of generating new chairmen who are both sensitive to the culture of their companies and capable of changing it.

But, says Mr John Courtis, chairman of Deeko, a paper napkin company, and the head of an executive search group: "Unless a company breeds excellence, intellectually, ethically and managerially, it is very dangerous for people to come up from inside."

One of the difficulties in judging the appropriate action at BT is that it is not easy to say whether it is a company in great difficulty or not. It makes huge profits, criticism of its services was muted until recently, and comparisons with overseas telecommunications groups are notoriously difficult.

Even so, the consensus is that BT should have gone outside for its next chairman, broadly on the following grounds.

First, those executives who have come in contact with the group believe it has become deeply inefficient. "If any organisation in Britain needs a breath of fresh air it is that one," says one chairman who has had to negotiate with BT executives in the past.

Trevor Humphries

Iain Vallance: moving into the hot seat after a lifetime at BT

"I see many of the group's middle managers," says an executive search director. "They tend to be badly demoralised and in need of new direction."

Second, it is widely argued that BT's problems are less to do with equipment and hardware than with people - motivating a bureaucracy that needs to turn itself into a responsive service business.

Third, it is pointed out that it is the perception of BT that counts particularly at the moment, and genuine evidence of change would be helpful.

Finally, there is the view that a change would have been good simply because it would bring with it a new look at the company from someone without preconceptions of what it was, and without the ragbag of commitments that insiders tend to carry with them into the top job.

Mr Stephen Rowlinson, UK head of Korn Ferry, the world's largest executive search group, says that surveys by his company show a steadily increasing number of chairmen and chief executives being hired from outside. "We see a close parallel with the way that Prime Minsters are rotated," he says. "You do it for its own sake: you are saying that it is much healthier if someone looks at things afresh."

Small life brokers 'face cut in income'

BY NICK BUNKER

SMALL, INDEPENDENT life-assurance intermediaries face a cut of up to 55 per cent in net income because of rules introduced under the Financial Services Act. However, most have decided that long-term prospects make it worthwhile to stay in business as independent advisers even after the act is fully in force next year, says a study commissioned by the Office of Fair Trading. The study found that of 80 intermediaries questioned, only 10 per cent had decided to stop giving independent advice. Only 2.5 per cent said they planned to become agents tied to individual life companies.

The study, published yesterday, was by Arthur Young, a management consultancy, and commissioned by the OFT in July as part of its scrutiny of the possible anti-competitive effects of the act and of the draft rules proposed by the savings industry's new self-regulatory organisations.

Sir Gordon Borrie, OFT director-general, feared the act would be significantly anti-competitive because small independents might be forced out of business, reducing the amount of unbiased investment advice available.

The study found that, on average, small intermediaries themselves expected net income to drop by 8 per cent. That would be due to the extra cost of complying with new rules proposed by the Financial Intermediaries, Managers and Brokers Regulatory Association and to the impact of a commissions scale proposed by the Life Assurance and Unit Trust Regulatory Organisation.

However, an Arthur Young computer model showed that the two factors combined might actually produce a drop of between 28 per cent and 55 per cent in small intermediaries' net income, depending on how the commission agreement is applied.

For example, a one-man intermediary firm with net income now of £17,653 could expect that to fall to £12,670 in the first year after the act is fully implemented and to £7,931 in the fourth year. That assumes that the new commissions agreement allows for so-called indemnity terms whereby life-companies would pay several years' commissions in advance.

Sir Gordon said he was anxious to receive comments on the study in view of the discrepancy between the computer model and intermediaries' own income forecasts.

Study of Insurance Intermediaries' Costs; Office of Fair Trading, Room 517, Chancery House, Chancery Lane, London WC2A 1SP; £1.50.

Companies launch space venture

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

COMPANIES in the UK space industry have set up a specialist organisation, Space Ventures, as a private company to promote the overall concept of continued British activity in this expanding arena of advanced technology.

The initiative, announced yesterday, has been taken by the UK Industrial Space Committee, a joint body comprising member companies of the Society of British Aerospace Companies (SBAC) and the Electronic Engineering Association (EEA).

The first subscribers are British Aerospace, Logica, Smith Associates and Westland Aerospace but many others among the 400 companies involved in all forms of space research and development in the UK are expected to join later.

The new company will not develop space hardware. That will be left to the member companies and others in the aerospace and associated industries.

It will, however, act as a co-ordinating voice in all UK industrial space matters, keep the Government and other interested bodies informed of UK capabilities in space, lobby for increased government support for industrial space programmes, gather and disseminate information about space ventures and stimulate overseas markets for UK space hardware.

Formation of the company follows concern in the UK space industry at recent government decisions to restrict financial support for space activities before November's critical meeting of the European Space Agency, at which decisions on future international space programmes will be taken.

The UK Industrial Space Committee is lobbying for a significant improvement in government cash support for space. It argues that just to continue the present rate of funding, about £116m a year, will result in the UK falling behind other leading European countries.

Increasing the national expenditure to about £250m a year over the next three years will only just maintain the UK's current position in European Space Agency international programmes.

On the other hand, says the committee, raising the budget to £300m a year, or about 4 per cent of the total government research and development budget, will enable the space industry to fulfill several important objectives.

They include participation in the European contribution to the US manned space station programme, the development of the larger Ariane V satellite launch vehicle and the development of the next generation of low-cost space launchers, such as the British Aerospace/Rolls-Royce Hotol (horizontal take-off and landing vehicle).

Agreement sought by water chiefs

By Richard Evans

THE CHAIRMEN of the water authorities in England and Wales who are divided over the Government's controversial plans for privatising the industry, are to launch a fresh attempt to reach agreement.

A council meeting of the Water Authorities Association in London yesterday underlined the gulf between Mr Roy Watts, chairman of Thames, who is highly critical of the Government's plans, and Mr John Bellak, chairman of Severn-Trent, who supports them in principle.

In the middle, although tending more towards Mr Watts's hostile stance, are the chairmen of the remaining eight authorities. All are due to be privatised in 1989-90.

A draft response to the proposal of Mr Nicholas Ridley, Environment Secretary, to set up a state-controlled quango, the National Rivers Authority, to take over the regulatory and water management powers of the authorities prior to flotation, is to be rewritten in an attempt to reach a consensus.

The final WAA document will be presented to the Environment Department by October 15, the deadline for responses to the Government's proposals.

Boost for new TV channel hopes

BY RAYMOND SNODDY

THE SUCCESSFUL launch of the European space rocket Ariane on Tuesday clears the way for a five-company British consortium to launch two channels of television next year.

The companies - Carlton Communications, Dixons, Saatchi & Saatchi, Thames Television and London Weekend Television - have been working on a £50m plan to launch two channels of commercial television to cover western Europe.

The general entertainment service would be transmitted by Astra, the Luxembourg-based private-sector satellite due to be launched on Ariane next September.

The aim is to operate the channels, which could be received by cable television networks and individuals using dish aerials, a full year ahead of BSB, Britain's £625m direct broadcasting by satellite project.

Mr Michael Green, chairman of Carlton, the television services company, said yesterday: "We are wildly enthusiastic about the fact that Ariane has been successful. We are on schedule to be up and running within 12 months." Mr Green was speaking after a board meeting of the five consortium members.

Although no final commitment to the project has been made, the successful resumption of Ariane launches clears a big obstacle, making it more likely that the television channels will become operational.

Irish want EC watch at Sellafield

By Maurice Samuelson

THE IRISH GOVERNMENT, which opposes nuclear power stations and has urged Britain to close the reprocessing centre at Sellafield, Cumbria, yesterday said it wanted the European Community to set up a team of scientists to inspect the site.

The call was made in London by Mr Ray Burke, the Irish Energy Minister, after telling his UK opposite number, Mr Cecil Parkinson, that the Irish people and Government were deeply worried about Britain's nuclear programme and the level of pollution in the Irish Sea caused by Sellafield.

"In my 20 years in public life in Ireland I have never encountered an issue which arouses such strong public feelings," said Mr Burke, who added that Dublin was closer to Sellafield than to Galway.

In their 40-minute meeting, Mr Burke expressed particular concern at the news that British Nuclear Fuels was considering creating tunnels under the North Sea to store nuclear waste. He urged Mr Parkinson to prevent "this time-bomb under the sea".

Mr Parkinson replied that BNFL was investing heavily on cleaning up Sellafield and that the sub-sea caverns were only one of several options being examined by the British nuclear industry for storing waste.

Rules on export guarantees to be revised

BY ANDREW TAYLOR

AN OVERHAUL of the rules under which British exporters are insured against non-payment for goods and services will be announced next year by the Export Credits Guarantee Department (ECDG). The total sums affected are more than £4bn.

The department wants to introduce more flexibility into the arrangements that determine premiums according to which country goods and services are exported.

It says the identity of individual purchasers should also be taken into consideration when assessing premiums.

Mr Don Twyford, the department's director responsible for underwriting overseas business, told an international conference of civil engineers in London yesterday that substantial discounts were already offered to "good buyers" in OECD countries.

The department wanted to extend those arrangements to other countries including those generally regarded as higher credit risks, he said, and it was also examining its rules restricting the level of foreign content in British contracts covered by ECDG insurance.

The department felt a more sensitive approach was required.

British Gas placates watchdog

By Lucy Kellaway

OFFICE of Gas Supply, the gas regulatory body, yesterday formally made its peace with British Gas by announcing that it was satisfied with the additional information given to it in support of the 4.5 per cent reduction in domestic gas prices announced in June.

Last month British Gas backed down in its dispute with Ofgas over the disclosure of information on forecast gas costs which it had declared it was not obliged to disclose. Ofgas, which had argued that possession of the forecasts was vital to enable it to regulate the monopoly, was poised to refer the matter to the Monopolies and Mergers Commission unless the information was provided.

Mr James McKinnon, director general of Ofgas, said yesterday that after studying the information he was "satisfied that the forecasts have been properly prepared on a consistent basis under the terms of the authorisation granted to the company as a private supplier of gas."

According to the British Gas licence, Ofgas must approve all changes of domestic gas prices and ensure they accord with the fixed formula relating prices to changes in gas costs. Ofgas had withheld its approval of the new tariffs on the ground that without the forecasts it could not assess whether the formula had been correctly applied.

Investment in unit trusts remains high

By Eric Short

THE INVESTMENT boom in unit trusts did not slacken last month, according to sales figures issued yesterday by the Unit Trust Association.

It had been expected that sales would fall sharply for two reasons. Experience in previous years has shown that August is a quiet period for investment generally and unit trusts in particular.

Secondly, stock markets worldwide last month fell from their previous high levels and past experience has shown that investors lose interest in falling markets.

The association's figures show the effect of such falling markets. The total value of funds under management with the unit trust industry slipped from £47.9bn to £47.8bn, the decline being directly attributable to realignment in stock market values.

But neither the holiday period nor the stock market decline deterred investors. The number of unit-holder accounts rose by a record 187,000 to 4.42m, while total sales of units amounted to £1.34bn - the second highest monthly sales figure, exceeded only by the £1.87bn sales in July. Last month's sales were almost double those of August last year.

Sales exceeding £1bn have now been achieved in every month this year. Total unit sales this year amount to £10.2bn against £8.6bn for the whole of last year.

Hugo Dixon reports on the pressures faced by medium-sized societies

Gateway builds a larger future

GATEWAY Building Society's proposed merger with the Woolwich, announced yesterday, may signal the end of the medium-sized building society.

Gateway, which ranks 15th in the industry with assets of £1.9bn, would not disintegrate if it failed to merge. It has adequate reserves and profitability and could have continued in its traditional business of raising funds from retail investors and making home loans.

However, as Mr Michael Gibbs, managing director of Gateway, said yesterday: "Societies of the size of Gateway will not be able to offer all the services the customer wants."

The environment in which societies operate has become much more competitive in recent years, as banks and specialist mortgage lenders have moved into the mortgage market aggressively, taking away market share. At the same time, under last year's Building Societies Act, societies have been allowed to diversify their activities out of their traditional markets.

The difficulty is that, except for the very largest, societies have lacked either the managerial or financial resources to take part in the diversification. The smaller societies are therefore being squeezed both by banks and by larger societies, which are offering more attractive packages.

In particular, few have been able to move into estate agency, which is now an important financial services business, to offer a full range of banking services, such as cheque books and interest-paying current accounts, or to take advantage of electronic technology.

In the face of that challenge, the societies have three options. They can stick to their traditional business and watch their market share shrink and miss out on the future; they can convert, from next year, from being a mutual society to a public company by selling themselves to the highest bidder, perhaps a Japanese or American bank; or they can merge with another larger society.

Gateway has chosen the latter option. After merging with Woolwich, already the fourth largest society, Gateway will be part of a group with £10.8bn in assets.

An indication of the economies of scale to be had in the industry can be seen by comparing the profitability of the two societies. In 1986, Woolwich's post-tax profits were the equivalent of 0.95 per cent of its assets while the figure for Gateway was only 0.59 per cent.

Both societies now hope for further economies from the merger. In particular, they argue that as a single unit they will need to spend less money on marketing (a prime source of expenditure), will get more value for money from their computer expenditure and will be able to raise funds more cheaply on wholesale financial markets.

They also hope to save on overheads by eliminating 30 or so branches where the two networks overlap. Some of those will be sold and others will be converted into branches of Woolwich's new estate agency network.

Mr Donald Kirkham, Woolwich's chief executive, refused to put a figure on the cost savings he hoped would result from the merger. He said, however, that he expected them to come through over two to four years.

If there are all these economies of scale, why stop at £10.8bn? Could not Woolwich become an even more effective force in the retail financial services market by merging with other societies?

That is certainly the view taken by Mr Bob Moffat, marketing manager at Nationwide Anglia, a society with £18.3bn in assets recently formed by the largest ever merger in the industry. He thinks Woolwich will still be too small to make an impact.

Woolwich itself tacitly accepts that. Mr Kirkham said it was "ready and waiting" for approaches from other smaller societies. After the Gateway merger, Woolwich will have about 7.5 per cent of the market. In the past, it has said it would like 10 per cent.

RECENT BIG BUILDING SOCIETY MERGER PROPOSALS

Larger society	Assets at time of proposal	Smaller society	Assets at time of proposal	Result
Woolwich	£8.9bn	Gateway	£1.9bn	Proposed Sep 1987
Nationwide	£10.9bn	Anglia	£5.8bn	Completed Sep 1987
Leeds Permanent	£8bn	Town and Country	£1bn	Called off Sep 1986
Bradford & Bingley	£4bn	Yorkshire	£2bn	Called off July 1986
Midshires	£1bn	Birmingham and Bridgwater	£600m	Completed July 1986
Nationwide	£10bn	Woolwich	£7bn	Called off Nov 1985
Alliance	£3.2bn	Leicester	£2.95bn	Completed Oct 1985
Leeds Permanent	£5.9bn	Leeds Holbeck	£508m	Called off Mar 1985

BA acquires US computer company

BRITISH AIRWAYS has bought Bedford Associates, a computing consultancy of Nowalk, Connecticut, for $8m (£4.9m) plus $15m payable over four years depending on performance.

The company specialises in the design, development and operation of high-performance software systems. It will retain its identity but function as a subsidiary of BA.

OBITUARY

Lord Soames: Tory statesman

LORD SOAMES, the Conservative peer whose career in politics spanned more than 30 years from the time of Winston Churchill to the era of Margaret Thatcher, died peacefully at his Hampshire home yesterday aged 66.

He held many high offices of state and was at one time widely tipped as a future prime minister. Throughout his public life he suffered many reversals of fortune. Lord Soames's crowning achievement late in life was his leading part in solving the Rhodesian crisis and as Governor of Southern Rhodesia, from 1979 until 1980, negotiating the independence agreement together with Lord Carrington, then Foreign Secretary.

A man big in stature, Christopher Soames was an outsize personality in all respects. He was bluff and genial but also blunt and outspoken - characteristics that led to accusations of arrogance from critics.

He was Conservative MP for Bedford from 1950 until he lost in 1966. He never regained a seat in the Commons and was made a life peer in 1978.

Educated at Eton and Sandhurst, he was commissioned in the Coldstream Guards and served in the Second World War. In 1947 he married Mary Churchill, the daughter of Sir Winston Churchill. He was parliamentary private secretary to Churchill from 1952 to 1955.

During Churchill's illness a heavy administrative burden fell on him and he was a considerable power behind the Prime Minister. He was disappointed to be given the relatively junior post of Under Secretary at the Air Ministry when Eden entered No 10. Under later Conservative governments he was Secretary of State for War and Minister of Agriculture.

He was a great success as ambassador in Paris from 1968 to 1972, where he helped to prepare Britain's entry into the Common Market. He had an equally successful period as vice president of the EC Commission from 1973 until 1977. He also held the post of Lord President of the Council and Leader of the Lords from 1971 until 1981.

THE ARTS

Lloyd's of London/William Packer

Pictures strengthen the walls of the City

Over the next few months the Financial Times is celebrating its centenary in several ways and, as an appropriate part of the fun, an exhibition of some kind was proposed at an early stage. With its own collection of contemporary British Art, put together in the 1950s and 1960s, the FT long ago set a practical example of bringing art to the City, and so a small demonstration on what might be done with current British art was an obvious theme to fix upon.

The Council of Lloyd's of London, with its intriguing new building by Richard Rogers, felt it also had something to celebrate, and was delighted to associate itself with the scheme by offering the use of its viewing gallery. Further help was also generously given by Mr Harry Handlesman, a property developer who has subsidised the publication of the catalogue, and Laurent Perrier UK, who came in with copious liquid encouragement.

Thus *Art for the City* was set in train. A small selection committee consisting of Mrs Caryl Hubbard, who is Chairman of the Contemporary Art Society, Roger de Grey, the President of the Royal Academy, Gordon Hutton, a member of the council of Lloyd's, and myself, came together and by a process of individual nomination established a list of some 16 painters and sculptors to be invited to show their work.

We had no refusals which, given that all artists know that such mixed and essentially improvised exercises can carry real physical risks to the work, was a mark of considerable trust and generosity on their part. Sent into what might have been an alien situation, possibly ineptly handled or thoughtlessly stored or stacked —and even when finally on show still not entirely safe, perhaps, from people unused to having works of art about the place, the work of many months could be ravaged in a moment. Here insurance at least was hardly a problem, and the show itself handsomely hung by Clive Garland and Roy Cozens who, over two long and difficult days with great patience and ingenuity, defied all the problems that modern architecture could throw at them.

Alan Harper

"Cool black cat" by Nicola Hicks, behind her bronze hog

Art for the City, filling the spectacular open gallery beyond Lloyd's own historical display on the 4th floor, remains on view to the public during normal business hours until October 3.

Why *Art for the City* at all? It is my firm belief that an empty wall, if not exactly a crime against nature, is certainly a crime against art and the civilised life. And yet we all know from our own experience of public and corporate buildings, and of modern buildings in particular, that a vast desert exists with no thought given at all, it seems, to the real impoverishment implicit in that barren acreage. In our working lives it appears we are all too busy to worry with such friperies.

One would not inpugn the status of architecture itself, nor lay all the blame at the feet of our modern architects. But it is surely a symptom of the general myopic indifference to the problem that even so significant a figure in his profession as Richard Rogers — who, as Chairman of the Trustees of the Tate Gallery, is no less a figure in the art world — should wish to produce, and be encouraged by his clients to produce, a building that is — to adapt the jargon — so manifestly picture unfriendly.

Its new building is not the first, nor will it be the last to present such difficulties. And in welcoming us with this opportunity, the Council of Lloyd's is not the first such body to wish to do something about it. The mere presence of the exhibition shows what might be done throughout, given a little thought and initiative — both corporate and private — to combat the blank clutter which is now colonising the place floor by floor. For to be proud of a building and not to care how it looks inside would be a perverse contradiction.

In looking so well the exhibition goes on to make yet another point. In making our selection, quite apart from the considerations of individual quality in the work, we were very much at pains to cover a broad range of current activity, both abstract and figurative, representing artists across the whole span of a career. We found that the work of young artists sits perfectly well with that of older artists, and that there is no rule to consign the abstract or the figurative, the expressionist, the constructivist or the surreal, to ghettos of their own. Above all, if it is good enough, no matter that the wall may be a tricky colour and its surface sacrosanct, the ceiling low and the space narrow, the work will happily take care of itself.

A work of art is more important than the wall it hangs on and often more valuable in every sense. It is to be treasured for what it is and acquired as such, with any question of where to place it only an afterthought. Commission special things for the particular spot by all means, but always be prepared to be surprised by what turns up. Lloyd's have allowed us a special opportunity and, perhaps without realising it, a first and peculiar test. For that we are grateful, and whether we have passed or not, for our part I would say that we are unrepentant.

Our thanks also go to our other sponsors and to everyone connected with the organisation of the show, inside and outside Lloyd's and the FT, most especially the two hangers. But first and last our thanks must go to the artists, without whom there could be no show. Go and see what they have done.

The sculptors taking part are Nicola Hicks, Kenneth Draper and Fred Watson. The painters are Rachel Budd, Michael Buhler, Fred Cuming, RA, Gus Cummins, Richard Gilbert, Adrian Heath, William Henderson, John Keane, Terry Lee, Penelope Lott, Daniel Mafe, Mick Rooney and Ivy Smith. Most of the work in the show is for sale, ranging from £200 or so for some of the drawings to £7,000, which is the price of the bronze hog by Nicola Hicks that guards the top of the escalator.

Aida/Theatre Royal, Glasgow

Max Loppert

A new production of *Aida*—the first in Scottish Opera history — opened the company's 1987-88 season on Tuesday. It is by Gilbert Deflo, Director of the Monnaie, Brussels: of the archetypal Italian Grand Opera he has made a sumptuous Victorian costume drama, set and clothed (by William Orlandi) amid luxurious settees and velvet drapes, potted palms and braided uniforms, with touches of ancient Egyptian exoticism added rather as the various objects of imperial booty and tribute are displayed in Victoria's state and domestic rooms at Osborne House.

Mr Deflo confessed in advance of the opening night to distaste for what he calls the "gigantomania" of the opera, and guessed that this would be the first "chamber *Aida*." (He is wrong: Opera North's 19th century *Aida* production by Andrei Serban got there first.)

So away go the grand scenes of procession and populace-massing, and in their place come what one soon learns to think of as Amneris's Ladies' Tea Party, The King's Triumphal Dinner and Epidiascope Display, and the like. (The Paris ballet music accompanies a stage-within-the-stage performance of dances done in traditional *Aida* costumes — probably an in-joke, and rather a good one.) Both the Nile Scene, played in the set, now deserted, where the royal party was held, and the finale lose their dramatic dispositions of space — mirrored, of course, in the score — to the producer's preference for picturesque Victoriana.

It is a staging strong on stage pictures subtly and beautifully composed (the influence of the painter Hayez, an important Verdi contemporary, is particularly apparent) and weak on textual logic, on sung words directly and causally related to stage action, which will probably worry British audiences more than European ones (the production is shared with Brussels). Aida as a slave is hard to place in this society, as are all the references to Isis worship.

More seriously, it lacks any sense of character or genuine enclosing dramatic location. The people on stage bear in their costumes various obvious tokens of social place and office, but we have no idea who they are —and soon we hardly care. *Aida* as Verdi and his collaborators wrote it contains ideas and themes unsympathetic to up-to-date, right-thinking producers such as Mr Deflo; but his way of cutting them out, and of rending the remainder in artfully prettified miniature, hardly makes for an evening of vital operatic drama. The key emotional conflicts are either unconvincing or uninvolving, or both — certainly a novel experience in this opera.

Ljubomir Videnov and Janice Cairns

It doesn't help that the cast is decent but tame (the producer doesn't help them to be much else). Lyubomir Videnov, the Bulgarian baritone first noticed at Wexford a couple of years ago, brings Amonasro nearer the realm of real Verdi singing than anyone else—fine voice even if not much specificity in its use. Janice Cairns in the title role and John Treleaven as Radames - in - khaki, serious musicianly performers both, each with moments of impressive delivery, prove a numbingly passionless central couple.

The young Italian mezzo Ambra Vespasiani (British debut) sounds cloudy and uneven most of the time, though in Amneris's big closing scene she unleashes a few suitably big phrases. The use of a drop curtain, here and in "Ritorna vincitor," forces the single singer in front of it to compete against dreadful backstage noise. Roderick Kennedy (Ramphis) sang on Tuesday in spite of a bad chest ailment — and with authority too (we were not told who took over his off-stage trial-scene lines).

This is John Mauceri's first showing as Scottish Opera Music Director. He has taken great care over the establishing of authentic Verdi tempi — Mr Mauceri, as we know from his ENO *Force of Destiny* and *Rigoletto*, is a serious as well as an accomplished Verdian. This results in a somewhat more leisurely *Aida* than we are used to these days, as, in addition, the conductor draws rich, stately playing from the orchestra, without forced dynamics or articulation, much of the music developes a voluptuous, caressing texture that chimes well with the decorative charms of the staging — and perhaps rather too well with its lack of energy, passion, and urgency.

Summer and Smoke/Haymarket, Leicester

Martin Hoyle

"I'm afraid of your soul and you're afraid of my body," as the young Rake remarks to the minister's daughter. There in a pecan shell is Tennessee Williams's *Summer and Smoke*. Originally a flop but revived and later filmed with Geraldine Page, it casts further light on Blanche Dubois in *Streetcar*. For Alma ("Spanish for Soul"), the idealist who loves yet recoils from the dissolute John, is last seen accosting a travelling salesman, like Blanche finally searching for love by the quickest route.

Peter Lichtenfels's first production as director of the Leicester Haymarket mercilessly exposes the writing's weak patches. The glamorous Mexican dancer and her reprobate father who ensnare young Johnny have some frankly frightful lines as they wax eloquent about five Mexicans, three geese and a little dog called Pepe all living in one room. The unexpected appearance ("you scum") and subsequent murder of John's stern father now evoke audience laughter. And Williams's favourite symbols—birds—are called on to embody brain, belly and sex, all nesting in the withering tree of the human body.

The first long act (1½ hours) notably lacks conviction. Is the cast too British? Or do young actors find it hard to suggest inhibitions and repressions? The dialogue between ladylike Alma and her dashing neighbour gives no suggestion of anything unspoken, the tension of confused attraction. There is simply no sub-text. What emerges is a bright, bossy girl setting her cap at the rather obtuse boy next door. Frances Barber is too self-ware: this preacher's daughter could never be surprised by her own emotions. Neil Parson's debauchery extends merely to being bitten by excitable Latin ladies and refusing to answer the phone.

Finally the transformation occurs. Freed from the worst of the author's spinsterish twitterings, Miss Barber seizes the chance to portray a woman in love offering herself too late and facing the agony of rejection. Buckled with pain and bitter hilarity, she wrenches the cry of "Why didn't it happen between us? . . . why did you come almost close enough and no closer?" from her heart. In this confrontation with the reformed rake, now imbued with her own principles, Miss Barber reaches tragic stature in a performance of immense and moving integrity.

Dermot Hayes's faintly Chirico-like sets furnish the raked stage with the necessary pieces and the implacable stone angel that broods over the fountain. Costumes range from Alma's Edwardian blouse and the high button-boots she wears even at a summer at-home to Rita Hayworth's off-the-shoulder number for exotic Rosa. Pauline Devaney brings a slight touch of the late Queen Mary to Alma's dotty mother, and James Grant's man of the cloth unsuitably evokes his splendid demon king in the National Theatre's *Cinderella* three years ago.

Alban Berg Quartet/Elizabeth Hall

Richard Fairman

As the autumn season on the South Bank gets under way, the much-publicised residencies of three leading ensembles are beginning to show up on the monthly programmes. As yet there is no sign of the coherent artistic planning that is promised, though that too cannot be far away. The Alban Berg Quartet, in their chamber music residency, has already talked of a complete Beethoven quartet cycle for next year.

With this recital, in which two Beethoven quartets framed the Berg Op 3 Quartet, they gave a foretaste of what is to come. In the sheer quality of the playing the London public will surely have little cause for complaint. The string sound of this group is at once lucid and richly blended, every bit as elegantly fashioned as the playing of their compatriots, the Vienna Philharmonic, on tour here last week.

Like them, they bring to their music an old-world coolness and precision. Although the quartet by Berg that they offered is an early work and only dates from 1910, it is by no means a piece of late-romantic indulgence and the group wisely did not treat it as such. The lyrical phrases were not inflated; and its strange sonorities were made to look forward to the pointillist world of Webern rather than back to the extravagance of a Richard Strauss.

In Beethoven their style is tougher, but no less exact. The *sforzando* chords at the start of the E flat Quartet Op 127, each one much delayed but absolutely unanimous in its split-second attack, announced a performance in which every section seemed equally concentrated, as though planned by a single mind. The great arc of the slow movement was especially impressive, as the four players matched their tone colours and phrasing as one.

If there is to be a criticism, it is perhaps — ironically — that too little seems to be left to chance. Their earlier Beethoven quartet, the impassioned C minor Op 18 No 4, sturdily and strongly projected, might occasionally have caught the ear with a momentary touch of humour or youthful buoyancy. But where spontaneity is lacking, its place is soon more than filled by their deeply considered and eloquent musicianship. Three years of high-quality chamber music on at the Elizabeth Hall look to be on offer.

Bass wins John Christie Award

The 1987 John Christie Award has been given to the bass Alastair Miles. The award was established in 1965 to enable the recipients to study and travel abroad.

Die Walkure/Geneva

Andrew Clark

According to the Norwegian stage director engaged for Geneva's new production of *Die Walkure*, there are parallels between the Wotan/Brunnhilde relationship and that of Lear and Cordelia. On the chess board of life Wotan is playing in the certain knowledge that he is going to lose. The world as we know it — and as Wotan knows it — is heading for apocalyptic destruction. For all her disobedience of her father's wishes, Brunnhilde represents a force of hope, drawing Wotan from his political ivory tower into the world of human feelings.

Sometimes, stage directors can illuminate their productions by talking or writing about them, but in most cases it serves to illustrate the chasm between their intellectual intentions (and pretentions) and what actually takes place on stage. This staging was an example of the latter. Outside his work in the straight theatre Stein Winge had staged a handful of operas in Norway but had never experienced any of Wagner's music dramas in the theatre. He was asked to tackle *Die Walküre* outside the context of a complete *Ring*. The result was occasionally striking but mostly tedious.

Winge and the Swedish designer Peter Berggren set the work as a modern myth kept down to earth by alienating devices. The stage was littered with lighting batteries and gantries (unfortunately the operators were audible as well as visible) and the Wotan/Brunnhilde confrontation at the start of Act III was sung from either side of the orchestra pit, like a cross examination in front of the audience as jury. There was no attempt at theatrical illusion. It was as if the production team had adapted their ideas from a staging originally conceived from a theatre-in-the-round. The Nordic influence was visible in the Viking Prow of Wotan's lair, from which he operated with close circuit TV. Fricka, dressed like a fashion starlet of the 1920s, held forth while Wotan luxuriated in a jacuzzi and popped champagne.

Most of the risks taken by the Grand Theatre pay off, and a production that is planned with artistic flair and supported by strong management is worth any number of second-hand packages. This one was redeemed in part by its cast and conductor. Once the first Act had found its way through Winge's smokescreen of netting, searchlights, and the blood-curdling butchery of Hunding's domain, the unadulterated rapture of Wagner's music took flight in the combined performance of Warren Ellsworth and Gabriele Schnaut as the Walsung twins. The role of Siegmund lies so naturally on Ellsworth's voice, and he is the picture of swashbuckling youth. Any qualms about Schnaut's steely head-voice were brushed aside by her complete identification with Sieglinde, musically and historically.

Eva Marton's first *Walkure* Brünnhilde was big, breathy and bottled up. She left me totally unmoved. Marton is not really a Wagner soprano and should stick to Verismo. Robert Hale's Wotan had a soft edge to the voice and an unimpressive top, but he was effective in a production that gave him little authority. Hanna Schwarz's Fricka was uninvolved. The finest voice and stage presence of the evening was the Hunding of Hans Tschammer, the best Wagner bass around today.

The conductor was Armin Jordan whose Erato recordings have already shown his sympathy for Wagner as well as Ravel and the lesser known French Romantics. This *Walkure* showed him to be minutely attentive to dynamic levels so that the words could be heard, and responsive to the lyrical grace of the score, so revealing in those yearning cello passages in Act I and much other string detail. His handicap is his own orchestra, the Suisse Romande, whose delegate violins and poorly balanced brass simply lack the attack and weight of tone for Wagner.

Skulduggery/Old Red Lion

Michael Coveney

Philip Davis is an interesting ferret-like young actor currently to be seen as one of the Tolpuddle Martyrs in Bill Douglas's film *Comrades*. Four years ago he wrote a highly promising double-bill for the Old Red Lion, *These Foolish Things*; the pub venue at the Angel in Islington can now count him their very own writing discovery.

Skulduggery tracks down four boys on a grim Essex housing estate. In charting their rivalries, social adventures and violence through speech (and not just speech) it is as hilarious and disturbing a dramatic document for the late 1980s as was Harold Pinter's *A Night Out* for the early 1960s.

I hate to lumber Mr Davis with the comparison, but this sort of tense, elliptical comic writing, rhythmically spattered with obscenities and East End argot, is as refreshing as a spring shower. The quartet gathers at dawn for a planned robbery. Leader of the pack is the irascible curly - haired Sweeny (Steve Sweeney), bullyingly commemorative of side-kick Gombo's (Chris Pitt) playground reputation for not washing. Young black Terry (Terry Sue Patt) turns up with fishing gear and sandwiches, his alibi for leaving the house so early. He is trailed by Ian Bartholomew's older, hangdog *Tony in a donkey jacket* who wants to be "best friends."

The break-in breaks down after a sickeningly callous assault on Gombo by Sweeny. In a series of short, funny vignettes we see Sweeny and Terry preparing to meet a couple of girls: Gombo newly released from Feltham nursing his revenge with a compassionate Tony: a farcical reunion in a pub toilet.

Tony has fallen in with some arty types and the second act — which contains one or two cuttable scenes — concentrates on a second bungled robbery resulting in Tony's self-revelation. Our interest, however, is evenly divided among all four boys and Mr Davis betrays great skill in managing this, both as author and as his own director (assisted by Gwyneth Strong).

The setting is East End overspill territory, Ilford or Dagenham way (Sweeny snarls that his unresponsive blind but yapping date lives in Roxbourne Avenue and works at Plessey's). People worth robbing live in Brentwood or Stamford-le-Hope. A cigarette would make a welcome change from a dog-end, and a trip to Southend (even though there's "nothing there") represents a trip to the moon.

This grimy depressed world of vandalised council estate lifts and overpacked rubbish bags is expressed not only in the clever design of Christine Wilkinson, but also in the compacted range of Steve Sweeney and the sad, gormless vitality of Chris Pitt. These young actors are real finds; Messrs Patt and, especially, Bartholomew, more technically efficient performers, significantly play boys who have begun to scramble off the bottom of the heap.

English Shakespeare Company to stage complete cycle of history plays

After its successful first season the English Shakespeare Company is to undertake in 1987-88 one of the biggest challenges in the dramatic repertoire—the complete cycle of Shakespeare's history plays. It is twenty years since *Richard II*, the two parts of *Henry IV*, *Henry V* and *Henry VI* have been done as a unified theatrical experience (not since the RSC at Stratford) but Michael Bogdanov and Michael Pennington's company will be staging the *Wars of the Roses* cycle at seven theatres in the UK before an international tour.

On one weekend in York all the plays will be performed. The theatres to be visited include Bath, Chichester, Nottingham, Manchester Palace and the Theatre Royal, Glasgow.

Once again the Allied Irish Bank is to sponsor the tour. Indeed it is increasing its commitment from £65,000 to well over £100,000. Other financial aid comes from the Arts Council and Ed and David Mirvish of the Old Vic.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

September 11–17

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture, Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct. 18.

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

TOKYO

Chinese Paintings and Ceramics of the 18th-20th century: 144 paintings and 33 ceramics comprise this important exhibition from the Yang He-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones – orchid/bamboo/rock or pine/bamboo/plum compositions symbolising difficulties in a harsh political climate. Works of China's two most important modern painters, Ch'i Pai-Shih (1863-1957) and Fu Pao-Shih (1904-1965), are included. The ceramics, mostly Ch'ien-Lung, a ware synonymous with excellence, were made for the Imperial family. Idemitsu Museum, Hibiya, near main hotels and Ginza. Ends Sept 27.

Modern Japanese Paintings of Yasushi Sugiyama. 120 works of one of Japan's foremost contemporary artists. From Nihonga (19th century, Western-influenced Japanese painting) to abstract futuristic themes, he is one of Japan's most prolific artists. National Museum of Modern Art, near Takebashi Station, off Imperial Moat. Ends Sept 27.

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Thursday September 17 1987

Not just the Nice Party

THE Liberal Party assembly in Harrogate will decide today whether or not to enter formal negotiations with the Social Democrats with a view to forming a new merged party.

To judge by the assembly proceedings so far, and the reception given to Mr Robert Maclennan, the new Social Democratic leader yesterday, the vote will go overwhelmingly in favour and without the need for the Liberals to take a ballot of their entire membership. The new party could come into being by the early spring of next year and in time to fight the local elections in May.

The speed of developments since the General Election in June has been remarkable. First, Mr David Steel, the Liberal Party leader, reacted to the election result by calling for the merger. Then the Social Democrats held a ballot of their own members and found the majority in favour. Dr David Owen resigned as the SDP leader and appears set in his determination to have no part in the new grouping. The Social Democrats held an unhappy conference in Portsmouth two weeks ago where the majority again confirmed that the merger was the preferred way forward.

Mr Maclennan, who opposed the merger in the first place quite as strongly as Dr Owen, is now doing his best to bring it about on terms that will be acceptable to as many Social Democrats as possible.

Ambitious speeches

Not surprisingly, the Liberals in Harrogate are in pretty confident mood. Not for them the agonisings of the Social Democrats in Portsmouth who did not know why they were being bounced into such developments so fast, and were unclear whether their leader was deserting them or whether they were deserting him. Everything presently is going the Liberals' way. Some of them do not even mind dropping the party's name, for their connection with the party of Mr Gladstone in the last century is somewhat tenuous. The Liberals as they are known today are a party that took off with a number of by-election successes in the late 1950s and has been doing much the same ever since, promising a lot and achieving relatively little. It is time, as they say, for a new start. Or rather, a new "new start." Over the years there have been new starts galore. The formation of the SDP was one of them. So was its subsequent alliance with the Liberals. So, too, were the ambitious speeches by a succession of Liberal leaders ranging from Lord Grimond to Mr Steel who has held office for more than a decade and must regard the latest developments as his last chance for a breakthrough.

The history of the modern Liberal Party is riddled with cliches. Once bold phrases like "Marching to the Sound of Gunfire" or "Preparing for Government" have come to rebound upon their authors. Yet perhaps Mr Steel is right. If the time had not quite come last June, it may be coming soon and the best way to prepare for it is to have the new party in place as quickly as possible. Certainly there is a sizeable part of the British vote which is neither pro Tory nor pro Labour and which could go to another party with a chance of winning.

However, there are reservations. The debate in Harrogate has been conducted without much reference to the wider world. It is not at all clear what the new party will stand for nor whom it will represent. It may be said, indeed is being said, that these are matters for later resolution. Yet they are quite important. The new party cannot simply be the nice party. The way that Mr Steel, Dr Owen and some of their colleagues have put their knives into each other in the last few weeks, suggests that it may not even be that. The new grouping needs a constituency which has not yet been identified.

It also needs to lift its sights. The next General Election will almost certainly be fought without electoral reforms. That means that it is not good enough to be a third force. The new party will have to set out to come second if not to win. That means attacking the Labour Party in a manner that the Liberals have seldom done. If the new party does not have the guts to do that, it will deserve to go on in the quaint old Liberal way.

The final reservation concerns Mr Steel. Does he intend to lead the new party that he is bringing into being or is all this, in Mr Maclennan's phrase two weeks ago, midsummer madness? Mr Steel should make his intentions clearer in his closing speech to the assembly tomorrow.

Power vacuum in Manila

IN EIGHTEEN months President Corazon Aquino of the Philippines, elected on an extraordinary tide of popular support, has been swept into dangerous political waters. After five coup attempts, she is now drifting in perilous indecision.

There is no underestimating Mrs Aquino's achievements since President Ferdinand Marcos was ousted and exiled in February 1986. The most important has been the fully democratic election of a two-tier Parliament.

Nor is it easy to overstate the difficulties facing any leader in the islands faced with a ruined economy, Communist and Moslem insurgents, a soaring birth rate and a panoply of politicians whose key common characteristic appears to be self-interest. She has also had to face a divided and disillusioned military, unused to the compromises inevitable in a re-emerging democracy.

Yet clearly defined policies are now needed. The August 28 coup attempt came closer to success than any other. It resulted in the entire Cabinet proffering its resignation together with those of other key appointees such as the Central Bank governor. This gives Mrs Aquino her first real opportunity to eliminate at least some of the internal divisiveness which has impeded her administration.

As soon as she took power Mrs Aquino formed a "coalition" Cabinet, comprising not representatives of different political parties but prominent individuals united only in their opposition to the Marcos regime. There are still no properly constituted national political parties, which may be one reason why the Communists are an armed rather than a political operation.

Once the new Congress was elected the existing Cabinet was deprived of its legislative function, and the two broad camps within it took to public feuding. One group, loosely coalescing around Mrs Aquino's powerful Executive Secretary, Mr Joker Arroyo, argued for a conciliatory approach to the Communist insurgency, was generally antipathetic to International Monetary Fund and World Bank economic policies and, in varying degrees, supported selective repudiation of some of the country's foreign debt.

The other group, gathered around Mr Jaime Ongpin, the Finance Minister, wanted a tough and aggressive stand against the insurgents, supported orthodox economic policies including the agreed restructuring of external debt, and wanted to encourage foreign investment.

However, scattered throughout are mavericks, particularly former military officers. They urge the harshest line against the Communist New People's Army without any of the socio-economic policies—notably, land reform—which could weaken Communist support in the poorest rural areas. Moreover, personal ambition has led to the undermining of Mrs Aquino's authority by key individuals. The most notorious is Mr Juan Ponce Enrile, the former Defence Minister, and the latest is Vice President Salvador Laurel, who was also foreign minister. He announced yesterday that because of irreconcilable differences he can no longer serve in Mrs Aquino's Cabniet. This leaves her with a constitutional vice president determined to use the office to promote his own campaign for the presidency against her.

Faced with these complexities it is perhaps not surprising that Mrs Aquino has hesitated over the reshuffle. The first announcement yesterday was the sacking of Mr Ongpin which may cause a shudder in the international financial community. But that is not to say that his group is out. His successor, Mr Vicente Jayme, former public works minister and a former president of the Philippines National Bank, is likely to be sympathetic to Mr Ongpin's economic ideas. An important test will be the fate of Mr Arroyo. If he stays while Mr Ongpin goes it would suggest that Mrs Aquino has moved leftwards, away from the pragamatists and, crucially, away from the army, a move which could alienate sections of the military and alarm the United States which has been pivotal in its support for her.

In any event, the most dangerous option is to delay longer over the reshuffle, leaving a power vacuum which could all too easily be filled undemocratically.

Guy de Jonquieres talks to the EC Commission's new secretary-general

Rubbing Europe up the right way

David Williamson: "fixer in the best sense of the word."

IT SAYS a lot about the way decisions are taken in the European Community that David Williamson, the Whitehall mandarin who is to become secretary-general of the EC Commission, was kept guessing right up to the last moment whether his appointment would actually be approved yesterday by the Commission's 16 members.

Farm and budget policies apart, few Community issues excite such intense nationalistic passion or give rise to such complex horse-trading between member governments as the choice of key Commission personnel. In this instance, the wrangling has been up to Olympic standards.

Not only is the secretary-general by far the most influential of the Commission's top civil servants, but the job has been regarded as a French preserve ever since the formation of the Community. Quite extraordinarily, since the position was created it has been occupied by the same man, Emile Noel.

Persuading France to surrender the fief on Noel's retirement was one thing. Getting the rest of the Community to agree to a British successor hand-picked by Mrs Thatcher—who in the last election campaign numbered her handling of the EC, along with the miners' strike, among her famous victories — has been quite another.

Williamson himself, a chubby and amiable 53-year-old, diplomatically rejects any suggestion that Britain's attitude or performance in the EC is in any way relevant to his appointment. With a polished delivery born of long practice, he insists that examination of the record demonstrates the UK has behaved in a manner no less communautaire than any of its partners.

Nonetheless, others in Whitehall say that the political infighting in Brussels over his nomination has imposed great strain on him in recent weeks. It has left him in no doubt that, to establish his credibility in the new job, he must demonstrate early that his first loyalty is to the EC institutions.

Not that even the most hostile European critic of Mrs Thatcher has ever seriously questioned Williamson's ability, integrity or suitability for the post. He comes with impressive credentials: a first class degree in Greats from Oxford, followed by a rapid rise up the Whitehall ladder, initially at the Ministry of Agriculture (where he was once described as "a Rolls-Royce among Morrises"). He has spent the past three years as deputy secretary for EC affairs in the Cabinet Office.

He has intimate inside knowledge of the workings of the Commission, gained during a secondment as deputy-director of agricultural affairs between 1977 and 1983. He also participated in the negotiations on Britain's accession to the Community and has more r[illegible]ntly been involved in high-level inter-government EC meetings.

Indeed, though nominally an agricultural expert, he takes obvious pride in the fact that dealing with international and trade issues has been a consistent theme of his career, starting with his role as a negotiator in the Kennedy Round of tariff negotiations in the mid-1960s.

Beyond that, an unstuffy manner and puckish sense of fun have earned him the distinction of being universally liked, as well as respected, by those who have worked with him in both London and Brussels. Indeed, almost incredibly, it seems impossible to find anyone with a bad word to say about him personally. "An amusing, courteous, permanently god-humoured man who is always prepared to find time to talk entertainingly about serious isues," says one senior Commission official. His amiability has stood him in good stead as an operator. "He has a knack for rubbing people up the right way and subduing their latent hostility," according to a British diplomat with long EC experience.

The words "efficiency" and "management" crop up frequently in his conversation. One of his proudest achievements while running the Community's agricultural marketing operations in Brussels was pulling off an astute deal on the commodity markets which saved European taxpayers some Ecu 2bn (£1.4bn).

He says he decided to join the Ministry of Agriculture — not the most obvious choice for an ambitious civil servant with a glittering academic record — chiefly because he was attracted by the idea of working in a department where decisions had direct and immediate impact on the outside world.

Though Williamson's emphasis on efficiency and getting value for money must have won the enthusiastic approval of the Prime Minister, not all Whitehall officials were convinced that he would hit it off with her. "I am surprised they get on so well," says one. "He's a chirpy chappie, doesn't seem her cup of tea at all."

He has succeeded in winning her confidence for two main reasons. First, he is a master of detail who does his homework and excels at lucid exposition of complex subjects. Second, as those who have negotiated with him testify, his affable exterior conceals an exceptionally tough and determined mind.

But hasn't Williamson, as a self-described "committed European," ever felt any private reservations about Britain's tactics in bruising negotiations on issues such as the EC Budget, where it has frequently been isolated in a minority of one? Couldn't the same results have been achieved without causing so much offence?

He is, of course, much too canny to give a direct answer. However, acting as intermediary between Downing Street's views of Europe and the rest of the EC's views of Mrs Thatcher must have required a delicate balancing act. Only once, indeed, is he on record as having stumbled.

The gaffe occurred at an EC meeting to discuss ways to bring home the reality of the Community to its citizens. Why not, Williamson suggested innocently, design a European postage stamp? When Mrs Thatcher heard of plans to print stamps not featuring the monarch's head, she was, it is said, decidedly not amused.

There is little doubt that Williamson will need all his talents as a bureacratic operator and conciliator once he moves to Brussels.

On paper, the secretary-general and his staff are responsible for ensuring the smooth running of the Commission's operations, all the way from personnel management to organising the agenda of the Commissioners' weekly meetings. Among other things, he chairs meetings of the chefs de cabinet who run the Commisioners' private offices and are, in some cases, rather more effective and influential than their bosses.

In practice, however, the job has been shaped almost entirely by the personality of Noel, the very model of an eminence grise who was born, appropriately, in the byzantine capital of Constantinople (now Istanbul).

Noel's principal source of influence stems from his encyclopaedic knowledge of the history of the Community's institutions and the people who work in them. "Nothing is more terrifying than putting forward an idea at a meeting at which Noel is present and seeing him start to shake his head," says a Commission official. "He will then explain, very deliberately but politely, that exactly the same proposal was made 15 years ago and was found unworkable for the following ten reasons."

Not surprisingly, almost every newly-appointed President of the Commission has turned to Noel for hand-holding and advice. Most have held him in high esteem as a confidant. As a result, there is no record of any major decision being taken without his full consent.

Williamson says that he wants as long a hand-over period as possible so that he can learn from Noel's experience. However, he readily agrees that he cannot hope to replicate his predecessor's role as a repository of Community lore. If he is to make an equally enduring mark on the Commission as secretary-general, almost inevitably he will do so by re-defining the nature of the job.

THURSDAY BOOK REVIEW

The Second Wave

Japan's Global Assault on Financial Services

By Richard W. Wright and Gunter A. Pauli
Waterlow; £10.95

THE DANGER that the Japanese are about to overrun the world financial services market has become a popular, spine-chilling topic in banking circles. You can hardly open a financial journal these days without reading of Nomura Securities bulldozing its way into international bonds, or Sumitomo Bank offering cut-price loans, spreading fear and despondency far and wide.

It is easy to see why this spectre haunts: the Japanese have conquered so many markets that financial services must be on the list too. And what they did to engineering and electronics is only too plain. (That was the "first wave.")

But the greater danger may be that the west will work itself up into a muck sweat over this without good reason. Why should a country which has taught the world how to make cars necessarily know the secret of successful finance? After all, the UK is in the reverse position: while it seems to do rather well in financial services, it has not exactly shone at manufacturing.

International finance is Anglo-Saxon in culture, hard for an oriental newcomer

The whole issue of Japan's drive into the international financial services market is much in need of cool, authoritative analysis. How well equipped are the Japanese to excel in finance on a global scale, how relevant are the industrial analogies, how vulnerable are western banks and securities firms to the assault?

The appearance of this book is most timely, but unfortunately it is not the revealing, original work which the subject so badly needs. Part of its problem is that it is irritating to read. The style often lapses into management consultancy jargon (lots of input factors and organisational technologies) and the text is larded with examples which seem (to me at any rate) loosely culled from newspaper files, rather than based on hard original research.

But the book's greater weakness is the one common to so much debate on this subject: it accepts almost without question the premise that Japan is about to conquer world finance, and then labours the point with scare language. "The threat is real," the implications are ominous," "the heat is on." Even the dust jacket shows London landmarks being swamped by a Japanese tidal wave.

Many points about Japan's growing strength in financial services certainly are worrying. Its financial institutions are huge; they nurse global ambitions and they have already flexed their muscles to powerful effect. Japan's torrent of capital exports — the famous "wall of money" — has also held the markets spellbound. But does this necessarily mean that Japanese bankers and brokers will succeed?

One good reason for suspecting that they will find it tougher than their metal-bashing and chip-making colleagues is the vital difference between the industrial and financial markets. When Japanese industrialists first appeared on the world scene 20 years ago, western industry was arguably already in decline. Its industries were mature, inefficient and lacking vitality. So it was comparatively easy for an aggressive newcomer from a youthful industrial power to make headway.

That is not a description one can apply to the financial services market today. International finance is not only intensely competitive, innovative and vigorous, but also distinctly western, or to be more precise, Anglo-Saxon in culture—all of which makes it harder for an oriental newcomer to penetrate.

The Japanese certainly have their moneyed millions behind them. But financial services is not a business where success is solely related to muscle power. Even more than in industry, know-how and innovation are key qualities, and both are said to be in poor supply in Japan.

It would be just as dangerous, of course, to be complacent about the threat, and it is reassuring that western banks are taking the measure of it and that western governments are alert to the political and regulatory implications.

Already the point has been pressed home in Tokyo that Japanese banks and brokerage houses will not be welcome unless they operate according to the same financial disciplines as western institutions, and traffic is two-way. Provided these conditions are strictly applied, they should eliminate many of the unfair advantages which Japanese banks enjoy through lower capital requirements and a protected home market. If they are not, then the west will have only itself to blame.

The authors (Mr Pauli is a consultant and Mr Wright a management professor) might describe this review as an example of the very complacency which they say is "our worst enemy." And they may well be right in warning western institutions to close ranks or even form alliances with the Japanese if they want to survive.

But this book skirts the tough questions, and I doubt that many bankers will panic over a threat that is described in terms such as these: "It's big and it's real and it's heading our way fast, and it knows what it wants and might very well just get it. It goes by the name of Nomura Securities, and what it wants is your money; money to buy, money to sell, and above all money to reshape, reform, repackage and resell for more than it cost to produce."

David Lascelles

McMurray quits in steel row

The close-knit Sheffield steel industry will be in a state of surprise this morning at the news that Bill McMurray, chief executive of GEI Special Steels, is to leave the group after a boardroom rumpus.

McMurray saved Sanderson Kayser, the 200-year-old special steels firm from collapse in the 1980-83 recession which saw so many of the steel city's famous names go under. He has since guided it into substantial profitability.

Together with its Sheffield wire rolling sister company, Hemmings, Sanderson is now responsible—as one disgruntled shareholder pointed out to the GEI board at the last annual meeting—for a substantial portion of GEI group profits.

Yesterday the normally outspoken Yorkshire engineer was unusually reticent about his split with the group that he has worked with for a decade—merely citing "management incompatibility" with other senior board members.

His departure will pose a thorny replacement problem for GEI chairman Tom Kenny and group managing director Michael Hale.

As for McMurray, whose past targets for spirited verbal attack have ranged from the left-wing Sheffield City Council to ministry of defence officials in Whitehall (who saved money by purchasing their armour plate from Germany), he insists that he hopes to continue in British manufacturing industry.

Given his track record, the Sheffield steel Mafia feels that backing will be quickly forthcoming for any new venture he chooses to launch.

Men and Matters

Tokyo law

Two London solicitors, Tony Grundy and James Croock, hope to be opening shop in Tokyo shortly for England's second-largest firm of solicitors, Linklaters and Paines.

L & P is adopting the good old principle of following the business.

It has long had a reputation as a company with a prominent position in international financial markets work, particularly in Eurobonds, Japanese Bond issues and secured banking documentation.

The L & P partners now see a local presence in Tokyo as essential in consequence of the growth of the city as a capital market centre.

In the cautious way these matters are handled in Japan, Grundy and Croock, both partners, have had the usual wink and nod from the Japanese authorities that the moment would be right to make formal applications to the ministry of justice, Tokyo, to practice in the city.

Grundy, aged 32, who expects to go very shortly, will not find Japanese life over-strange. He is married to Etsuko Moro, a Japanese national at present working in London for Yamaichi International, one of the big four Japanese securities houses. She is to accompany him to Tokyo.

Learning the language should therefore not prove to be too difficult for him. But it is doubtful whether he will find much time in Tokyo for his other interests as a student air pilot and a tournament bridge player.

Power politics

Here is a quick, unvarnished guide to the leadership race in Japan to succeed Yasuhiro Nakasone as prime minister, courtesy of 72 middle-ranking bureaucrats who responded to a questionnaire circulated recently by the Nihon Keizai Shimbun, the country's leading business newspaper.

Seventy-nine per cent of the officials thought that Kiichi Miyazawa, the finance minister, would be the best successor to Nakasone. Why? Because he has the support of Nakasone and of the country's financial leaders.

Sixty-seven per cent of the officials thought that Noboru Takeshita, secretary general of the ruling Liberal Democratic Party, would become the next prime minister. Why? Because he has the greatest money raising ability.

The selection of a new leader is scheduled to take place at the end of October. Only pragmatists need enter the contest.

Magna gift

The presence in London this week of 2,500 of the world's leading business lawyers for the annual jamboree of the International Bar Association is being marked by the gift to selected senior delegates of well-crafted copies of the most famous legal document of all time, the Magna Carta.

In spite of its fame, few lawyers have ever read the document, which concentrates more on building weirs on the Thames, and standard measures for beer, than on the more fundamental questions concerning human rights that preoccupy society in these modern times.

If their medieval Latin is rusty the lawyers can look to an English translation and an introduction from Christopher de Hamel, director in charge of medieval manuscripts at Sotheby's.

He spends much of his life at the front counter of the auction house while expectant vendors unwrap "their" copies of Magna Carta. He takes the time to view all of them because it is quite likely that in among a procession of fakes there are a few copies of the original.

Only four copies are known to have survived, but many more were written after that fateful day in 1215.

As well as Magna Carta the lawyers get a banquet at Sotheby's. It is not charity work by the saleroom. The names and addresses of all those leading law men will greatly enhance its mailing list.

Carve-up

When the European Commission met in Strasbourg yesterday to make the key appointment of a new secretary-general — in place of Emile Noel, the remarkable French civil servant who has held the job for the past 29 years — there was one key indicator to suggest that the keenly-contested appointment was already a certainty.

The commissioners had to decide between David Williamson, EC adviser to Mrs Thatcher, and Horst Krenzler, west German deputy to Noel, in strict secrecy over their lunch.

But the tell-tale clue was there for the wise to spot.

The menu for the day, in the private dining room of the European Parliament, was assiette Anglaise, or cold meat cuts.

And, sure enough, Williamson got the job.

Night music

A young Scot, recently arrived in London from Inverness, rang his anxious mother.

"And what are your lodgings like Hamish?" she inquired.

"Och, mother, they're fine except that the man in the room next door spends half the night moaning and banging his head on the wall."

"How do you put up with it?" asked his mother.

"Well . . . I've tried to ignore it and I just keep up playing my bagpipes until I fall asleep."

Observer

ECONOMIC VIEWPOINT: THE EMS

Marriage versus cohabitation

By Samuel Brittan

SINCE early March, sterling has fluctuated against the D-Mark within a narrow range of between DM 2.90 and DM 3 to the pound. In more recent months, the pound has usually been in the top half of this range.

This has been a narrower range of fluctuation than moving between approximately mately DM 2.88 and DM 3.02 which would be allowed if the UK were a full member of the European Monetary System (EMS).

Not surprisingly, some commentators have seen British policy as one of shadow membership, and a few have added the further refinement that the Government has in recent months sought the top end of the range as an insurance against inflationary forces.

The issue of whether Britain is really a shadow member has still to be tested. The Chancellor has been able to avoid the question by referring to the February *Louvre* agreement among the leading industrial countries to maintain "stable" exchange rates at around recent levels.

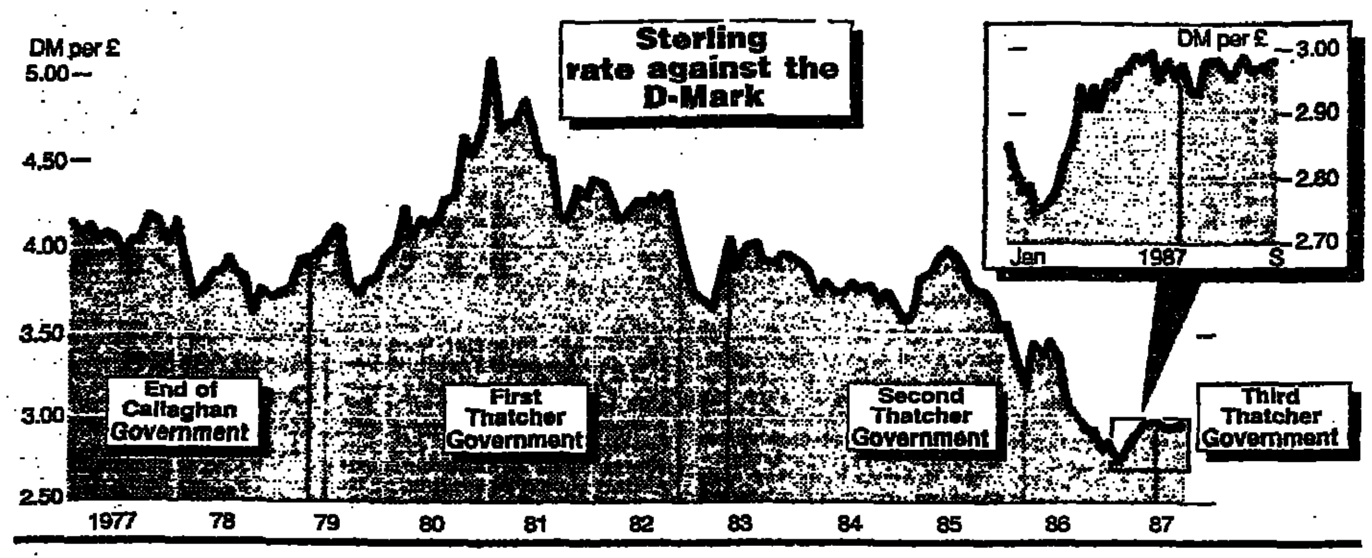
Sterling's variation both against the D-Mark and against the "basket" has since then been well under half its variation against the dollar. The shadow policy has enabled sterling to escape some of the dollar's gyrations.

But although the dollar has been under pressure at various times, it has not *so far fallen* far enough for a decisive test of whether sterling is being held stable against the D-Mark or against the currency basket, in which the dollar has a 25 per cent weighting.

But it is pretty clear that the rate against the D-Mark is at least the most important single indicator that British policy makers look at when they try to ensure that sterling is neither so strong that it endangers the competitive gains from the 1986 depreciation, nor so weak as to accommodate more inflation.

Let us suppose that the Chancellor is able to keep sterling on a path which is compatible with shadow membership of the EMS and which, moreover, is related to the D-Mark rather than to the weaker currencies of the system.

Is this a satisfactory way of by-passing the Prime Minister's political objections to full membership? Is indeed shadow membership even better? Or is, on the contrary, something lost without an official and full-hearted commitment?



For Eurocrats who cheer anything *to* do with the European Community, the answer is obvious. For those who dislike *the Community politically* or remain committed to floating exchange rates, shadow membership is at least less than the full variety.

But for those looking at the matter from the point of view of economic policy, the approach must be different. For them the main attraction of the EMS is that it provides a way of restating—and enforcing—the medium-term strategy against inflation, in the face of the collapse of the sterling M3 indicator (for a long time the main measure of the UK money supply) within months of the strategy's inauguration in 1980, and the lack of convincing domestic alternatives.

The advantage of shadow membership is that there are fewer hostages to fortune. The British Government can experiment with membership, but withdraw or change the implicit sterling parity without the loss of political face involved in *either* leaving the EMS or asking for a parity change within the system.

The disadvantage is the other side of the same coin: less credibility. *The very fact* that the Government can change its mind if the going gets rough reduces the confidence attached by financial markets to the durability of sterling's present exchange rate.

This lack of confidence makes it more difficult to use shadow membership as an anchor for sterling or as an influence on medium-term inflationary expectations.

The absence of a medium-term anchor is of more than abstract importance. It is reflected in British interest rates being 3 to 6 percentage points higher than West German rates, according to maturity.

These differentials represent the devaluation premium that the foreign exchange markets place on sterling, that is the amount by which international holders require to be compensated against the risk of holding sterling rather than other currencies.

Expectations about sterling are less clearly formulated in the product and labour markets, but they are nonetheless important. Most business-type projections suggest a gradual sterling depreciation against the D-Mark in the years ahead, which accords with industry's instinctive beliefs. If the central expectation moved towards stability, wage settlements would surely be affected, although not of course overnight.

The questionmark about sterling has recently had some paradoxical advantages for the *conduct* of British monetary policy. When sterling was banging up against DM 3 earlier in the summer, British policy makers faced a dilemma.

Despite all the incipient signs *of inflationary pressure*, the Government was reluctant to *allow the Bank of England to increase interest rates* in case sterling rose still further, thus eroding the international competitiveness *of British products and putting in jeopardy* the new policy of exchange rate stability.

Once sterling began to slip, the way was open for the one percentage point increase in base rates which surprised the markets at the beginning of August.

This *points* to a superficial rule of thumb. In the more normal situation—when the Treasury and Bank of England would quite like to lower *interest* rates, but fear to do so because of the effects on sterling—full EMS membership would be an advantage, provided that the Government was *expected to stick to its commitments*. For full membership would reduce the devaluation premium and thus enable British interest rates to move *nearer to West German ones*.

When, however, as in recent months, the Government wants to raise interest rates, but hesitates for fear of sterling going too high, anything that holds sterling back—such as merely *informal* EMS membership—is a positive advantage.

The rule of thumb is nevertheless superficial. In Britian's case, a 10 per cent base rate would be very high against an expectation of medium-term price stability. Companies and individuals are willing to borrow at such rates because they have in *mind substantial* and continuing inflation.

If tighter financial policies did their job in puncturing inflationary expectations, nominal *interest rates could plunge*—and would indeed have to do so to prevent recession.

To summarise: if a government means business about low inflation, the need for high nominal interest rates is abnormal and transitional. Once confidence is built up, sterling should not be expected to depreciate against a low *inflation* country such as West Germany; and the modest nominal interest rates likely to be associated with a credible EMS commitment would also be appropriate domestically.

The contrast between formal and informal membership is of course not as stark in practice. British governments can always leave the EMS — as they left the gold standard—in emergencies. They can also ask — and obtain — downward realignments within the EMS.

Full membership simply means that sterling depreciation becomes more embarrassing and more difficult, and therefore less probable. It thus becomes rational for markets to bet on a higher sterling rate in the years ahead than they otherwise would.

The main benefits would be felt not on the announcement of membership, but as evidence accumulated that Britain would *maintain its commitments*—in contrast to spring, 1972, when the Heath Government first joined and then left the European currency "snake" (a *precursor of the EMS) within* a few weeks.

This article has not dwelt on issues such as credit facilities, intra-marginal intervention or the greater use of the European currency unit (Ecu, itself only a basket of existing national currencies). These facilities can buy useful time and demonstrate Community-wide backing for a currency under pressure. But they can be used up in hours unless domestic policies are adjusted.

Indeed there are positive dangers if credit facilities and co-operative management are taken so far that the EMS ceases to be a D-Mark zone and becomes "symmetrical" between the strong and the weak currencies. Last weekend's agreement in Denmark probably went to the limit of what can be done to increase the influence of countries outside the West German bloc, without weakening the price stability goal.

A British government aiming at price stability would not have to worry too much about the *average* EMS inflation rate, so long as West Germany *retained low inflation* and there were a presumption that sterling would move with the D-Mark. The danger to a D-Mark anchor would arise only if a *weakening* West *German* hegemony led to rising inflation there.

British ministers may suppose that German sound money will *outlast* that time. *But this* hardly disposes of the matter.

The moral I draw is that we cannot forever just "leave it to Germany." Coherent guidelines for non-inflationary, but non-restrictive, demand management will be required for the European Community and eventually for all the Group of Seven. At the end of the path lies a world currency linked to a commodity basket.

Thus a pound attached to the D-Mark via the EMS is only the first step towards a policy of stable money. It is a helpful and even necessary step all the same. Attempts to by-pass it are likely to be accompanied by higher and more unstable British inflation rates with no output or job gains to show by way of compensation.

JOE ROGALY

When markets don't work

THE BRITISH Government's belief in free markets *stops* at housing. Its proposals to enhance the private rented sector and smash up the council estates will do little to extend *the free market, while its housing* policy as a whole is littered with distortions. At least three of these distortions are here to stay, however much proponents *of a genuine market in housing* may wish that they would go away. They are: the tax relief on the first £30,000 of mortgage interest, the unwillingness *to remove rent controls or* weaken tenures for existing private tenants, and the political inability to release green belt land.

The *mortgage tax bonanza is* something we are stuck with because the Prime Minister, practically alone in the Government, believes in it. The *extent to which it can be tailored* to apply only to the standard rate of income tax without breaking election promises is, however, unclear: perhaps the next budget will tell. Either way, those who regard it as a monstrosity must rest content with assurances that as higher rates of income tax come down (which they assuredly will) the effect of the mortgage interest tax relief will be reduced. If the £30,000 ceiling is not increased, the significance of the whole thing will then wither, albeit slowly. Meanwhile, the distortion buoys up prices in the 60 per cent-plus of the national housing stock that is privately owned.

Rent controls and security of tenure for private tenants have been modified over the years, but only new lettings have been affected by the changed rules. Landlords have noted this and, until recently, they have also discounted the possibility of the return of a Labour Government and the imposition of fresh protections for tenants. The result is a large number of empty or underused properties and a virtual halt to private construction for rent. It would be unethical to remove protected tenancies from those currently enjoying their benefits, and, anyway, the Tory election manifesto promised in June that "all existing private and housing association tenants will continue to have their present protection in respect of rents and security of tenure." So another chunk—*say a tenth*—of the housing stock remains insulated from the market.

As for the Green Belt, those *who regard the beauty of the* countryside as one of the few compensations for the English weather would rather have the housing market out of shape than *encroach on protected* land. This is probably a strong majority view, not least among the Government's own supporters, which is why the *evident desire of Mr Nicholas* Ridley, Secretary of State for the Environment, to release broad green acres to the builders can be realised only *under the camouflage of weasel* words like "suitable" or "planned" development. The land market thus remains distorted and, *if we are not careful, the Green Belts will* be too.

The focus must, therefore, be on those small areas of policy in which useful improvements can be made. One set of practical propositions, entitled Inner City Waste Land, was published by the Institute of Economic Affairs on Monday. It is well worth the asking price of £3.50. The authors, Michael Chisholm and Philip Kivell, are talking about some half a million acres of vacant or derelict land in England, much of it in inner cities. That is enough to build two-and-a-half times as many new towns as England now has. They favour short-term palliatives, such as derelict land grants and the creation of urban development corporations, but the real interest lies in their long-term proposals. The price of vacant land would be driven down if it was taxed, and if use-rights lapsed after a while, as planning permission does now. The authors also want to create market transparency by means of public registers of land values, ownership, and current usage. The relaxation of planning controls is thrown in for good measure. Taken together, this package would leave the national housing market distorted, but it would free up the market in derelict land. The only question to ask a Government that says it believes in markets is, why not?

Letters to the Editor

Pointless tax

From the Chairman, Tax Committee, Gilt-Edged Market Makers' Association.

Sir, — On return from holiday I have only just read Clive Wolman's article *on* stock borrowing, "Share borrowing stirs a controversy" (August 18).

In the article he remarks that "many institutional investors, including large ones such as British Rail Pension Fund do not lend stock . . . through inertia". In fact, the major reason why pension funds are in most cases unwilling to lend stock is because, unlike other income from investments, the stock lending fees are taxed (generally at 45 per cent). The *overall effect of this tax, which* includes the administrative overheads involved in reporting the income to the Inland Revenue and paying the tax, is to make *stock lending* uneconomic for almost all pension funds.

It is pointless to levy this tax, since by its existence it is stifling *the pension funds' stock* lending activity. It can hardly be increasing revenue collected from the pension funds.

Unfortunately, change in this area *seems to* be blocked because of more general concern by Treasury Ministers about pension fund taxation. Given the increasing importance of *stock lending to the markets*, as explained in Clive Wolman's article, there is a clear case for treating income from stock lending in the same fashion as *income from investments*.

(Dr) Richard Golding,
Kleinwort Grieveson Charlesworth,
20 Fenchurch Street EC3.

The health service

From Mr L. Littman

Sir,—The Royal Free Hospital in Hampstead, London, has just closed down one of its two *remaining* private wards through lack of nursing staff.

This in turn is said to be due to lack of nursing hostels without which nurses find it too expensive to live in London. Yet the Royal Free has ample land on which to build its own nursing hostels, though it shows no inclination to do so.

Despite the Government maintaining that everything in the Health Service is splendid, and its claim that more and *more public money* is being spent on it, the reality seems to be that more and more of the service is running down and more and more of our highest qualified medical staff are becoming disgruntled with it.

But the Minister and the Government just sit entrenched behind the bland statements of the NHS bureaucracy that *everything is satisfactory* and getting better. What kind of explosion of public wrath are they waiting for before opening their eyes to the real position?

L. T. S. Littman,
Ashley Chase,
Abbotsbury, Dorset.

Gas pricing policy

From the Managing Director, Tunnel Refineries

Sir,—In your article of September 14 you state that electric motors are a "measure of indigenous production activity" *and the industries you quote* are typical examples of the major energy users within the UK, to whom I have referred in previous correspondence.

Your article provides an excellent illustration of the problems that nations encounter when not paying sufficient attention to their manufacturing industry. It is the *seed corn* upon which many other industries and financial services inevitably depend. It should be no surprise that we are well behind France, where electricity for major manufacturing consumers is priced competitively. French manufacture of electric motors may be a consequence of a *sizeable export* business, but that sizeable export business mostly stems from an indigenous manufacturing base.

You also state that the UK market for electric motors should anticipate some improvement in sales as a consequence of power generation but major manufacturing industry is not investing in power generation while British Gas pursues its current pricing policy for major users.

H. Fox.
Thames Bank House,
Tunnel Avenue, SE10.

Promoting new airports

From the Editor, Airport Industry Research

Sir,—Unfortunately you misprinted the last word of my letter of September 10 and the result is misleading. I wrote that such airport developments as I had quoted would not have occurred previously because, *inter alia*, of the . . . *monopoly* position of the then state-owned BAA (British Airports Authority). You printed BA (British Airways). I did not wish to imply that the airline had impeded airport development and of course it never had a monopoly.

Bernard Buckle,
4-5, The Square,
Barnham, W. Sussex.

Robust and famous

From Mr B. Lewis

Sir,—For many years my family lived in Cheddar in Somerset, and for me "Cheddar" also always meant cheese from the West of England. Naive of me perhaps, since Cheddar cheese seems to be made all over the world, but puzzling also.

Am I permitted to say that I rather like New Zealand cheddar washed down with Spanish champagne? All Englishmen (and some Frenchmen) would know exactly what I mean. For an ordinary chap like myself then, it is not at all clear why UK courts protect foreign trade names of ambiguous meaning, while giving none to the robust and famous name of "Cheddar."

Brian A. Lewis.
PO Box 10123,
88801 Kota Kinabalu, Sabah,
East Malaysia.

Good old measures

From Mr J. Woolfe.

Sir,—There should be no reason to *criticise* imperial weights and measures that Mr Footer decries (September 5) as bad for British exports. Here in Belgium—which is supposed to have been metrified when Napoleon's armies moved in—inches, feet, pounds and other traditional measures are still perfectly fit and well. In some parts of high technology industries, such as in computing, they are even pushing metric into second rank.

If Mr Footer were to come here by air, say, his aircraft would fly so many thousands of feet high. If by train, the rail gauge would of course be set in feet and *inches*.

Once here, if Mr Footer were to meet my plumber (and understand his Maroles accent!) he'd learn that pipe diameter measures have to be in inches, though pipe lengths have gone over to metric.

At the street market he *would find the pound* ("livre —or "Pfund" over the border in Germany) to be still perfectly well understood even after nearly two centuries of official abolishment.

At the printers, in Belgium, as in the UK, type measures are in "points"—1 point equals 1/72 of an inch. The density of those tiny dots that make up pictures is so many per inch.

Recently the Belgian press in reporting a new front line fighter proposed to rival the EFA for the Belgian airforce in the 90s expressed wing surface areas in square feet. What on earth is the metric equivalent anyway? Squared decametres?

Personally, when *I* direct motorists who ask the way, I amuse myself by giving distances in miles. But the point is, I am always understood. Only when once I introduced furlongs did the poor driver look totally bewildered.

In other words, the current swing from imperial to metric measures in the UK serves no other purpose than to follow a fashion. As it's a fashion that easily could change again, it serves no useful purpose.

Jeremy Woolfe.
60 rue Victor Lefèvre,
1040 Brussels.

Tungsten price

From the Chief Executive, Metal Bulletin

Sir,—In your report (Sept 11) on the tungsten meeting in Vancouver, you note that *Jocelyn Waller claimed* that the Metal Bulletin tungsten price is "vulnerable to manipulation."

I have now been involved, with varying degrees of direct responsibility, with the formation of the Metal Bulletin tungsten price, and its use as a reference by the trade, for 34 years. Throughout that time there has always been somebody saying that the Metal Bulletin price is vulnerable to manipulation. I would have thought Jocelyn Waller could have been more imaginative.

More to the point, to say that the price is "vulnerable *to manipulation*" is rather meaningless. The same is true of prices on the London Metal Exchange or the Stock Exchange. The reason all these reference prices go *on being* used by their relevant communities for reference purposes is that they have found over time that the price has a high degree of inbuilt resistance to being manipulated. It is because of this proven performance that a tungsten *professional* will always regard "the tungsten price" as the price quoted in Metal Bulletin — not the ITI average, or the price Western producers wish the Chinese would stick to.

T. J. Tarring.
Park House,
Park Terrace,
Worcester Park, Surrey

FINANCIAL TIMES

Thursday September 17 1987

Voest-Alpine plans weapons plant in Iran

BY JUDY DEMPSEY IN VIENNA

*VOEST-ALPINE, Austria's lar*gest state-owned steel and engineering group, already under investigation for allegedly illegal sales of arms to Iran, is negotiating to build a factory in Iran, which will manufacture weapons, possibly cannon.

The company's plans put it on a collision course with the Austrian Government, which prohibits the sale of weapons, or the means to manufacture them, to warring nations. Already one of the three government ministries whose permission is needed by the company has said *it will stop Voest-Alpine from* concluding a deal with Iran.

A spokesman for Voest-Alpine denied that the company was contravening the law. *"When we started* the negotiations, we knew that if we won the contract, we would be building a plant, but not a plant which would be used exclusively to manufacture weapons".

Under Austrian law, any company which exports arms or wins a contract to build a weapons factory must seek a licence from at least three ministries as well as the go-ahead from the Chancellor's office in Vienna. Austrian law also forbids Austrian companies from selling arms to countries engaged in war, and constructing factories *in certain countries which are* "exclusively for the use of manufacturing weapons".

But a spokesman for the Ministry of the Interior said yesterday that he was surprised that Voest-Alpine did not even apply to seek permission to build the plant in Iran. "Even if they did win the contract, the Ministry of the Interior would not grant it permission", he said.

*Voest-Alpine yesterday con*firmed that its armaments subsidiary, Noricum, was still negotiating with Iran despite *investigations into its* alleged illegal export of arms to Iran in 1985 and 1986.

Mr Peter Unterweger, the former chairman of Noricum who started the negotiations several years ago, has been in detention and under investigation for the past two weeks after police searched the company's premises and found documents related to Noricum's trading activities abroad.

Austrian officials say they find it "strange" and "puzzling" that Voest-Alpine should continue these negotiations with Iran at a time when Mr Unterweg*er and several others are under* investigation on suspicion of illegally selling arms to Iran. The company, however, continues to state that "it never knowingly sold weapons to Iran".

Asked if it was not unwise to pursue the contract while investigations continued, a spokesman for Voest-Alpine said: "We have to find business. Don't ask me if it is a moral thing to do. But we just can't sit here and wait for contracts to land on our desk".

Bonn sets date to commence Bundespost restructure

By Peter Bruce in Bonn

THE WEST German Government plans to begin deregulat*ing the country's telecommu*nication market in 1989, Mr Christian Schwarz-Schilling, the Posts and Telecommunications Minister said yesterday.

Mr Schwarz-Schilling was speaking after the publication of a special Government Commission report on restructuring the Bundespost. It recommends ending the Bundespost monopoly on telecoms services and the supply of equipment but says it should retain its network and telephone service monopoly.

Giving a decidedly cautious *welcome to the report, which* has taken 2½ years to prepare, Mr Schwarz-Schilling said it would give the Government "important insights" into ways to restructure the Bundespost.

He said the posts, finance, economic, justice and interior ministries would first need to "thoroughly analyse and evalu*ate" the report before making* their own submission to the Cabinet. That would take place early next year, he said, with parliamentary debate then lasting until next summer and "we have decided on the start of 1989 to translate a restructuring of posts and telecommunications into fact."

The Government's task has been made much more difficult by a split in the Commission. Four of its 12 members - including the leaders of the country's two major industry associations - wrote a minority report attacking the majority for not recommending greater liberalisation, particularly the licensing of a second, *private*, network. The Social Democrat (SPD) and trade union members on the commission refused to vote for the majority report on the grounds that it went too far.

Some industrialists fear Mr Schwarz-Schilling may have in mind a mere streamlining of *Bundespost efficiency when he* spoke of restructuring yesterday. Critics say the intention is simply to reregulate and not deregulate the market. The report's recommendations themselves have been considerably watered down in the past six months to satisfy conservatives and left-wingers on the Com*mission.*

The minister said he was relieved the Commission had recommended that the Bundespost retain its monopoly over the telecoms network but did say he agreed that the equipment market should be opened.

He also said he wanted to introduce significant cuts in the volume *tariffs* on *lines* leased to major customers by the Bundespost. The tariffs are controversial because they come into effect after the leased line has been used for only 80 hours a month and make leasing lines roughly four times dearer than in the UK.

He agreed with the Commis*sion that the subsidising of the* postal service by the telecommunications should stop but was less than enthusiatic about splitting up the Bundespost into a separate postal service, a telecommunication operation (Telekom) and with the Ministry performing merely a watchdog role.

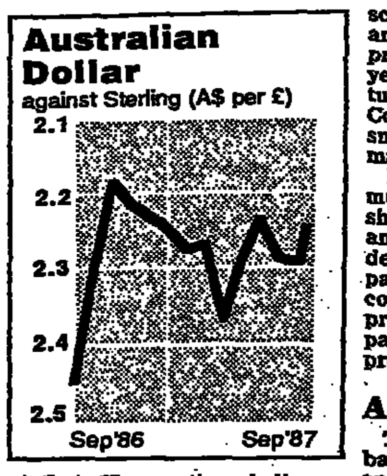
THE LEX COLUMN

A last throw from Crownx

A brilliant financial manoeuvre, or a desperate spoiling tactic? Crownx's last minute decision to top Quadrex's offer for Mercantile House's wholesale *broking division* by *offering* shareholders an extra 10p looks at first glance like a routine financial transaction. But then, the bulk of Mercantile House's shareholders have already accepted an offer from British & *Commonwealth involving the* sale of the businesses in question to Quadrex.

Crownx, which was the biggest shareholder in Mercantile before B & C came along, has been trying for months to sponsor a management buyout of the money broking operations but was pipped at the post by Quad*rex. The matter would be closed* were it not for a technicality in Takeover Panel rules requiring a shareholders' meeting to approve the sale of part of Mercantile's business to a large shareholder. The Quadrex camp seems justified in believing that Crownx is exploiting this technicality by bribing *shareholders to vote down the* deal. If the Takeover Panel allows this sort of hanky panky, no one can tell where it will end.

Crownx admits that the deal is unusual, but argues that the only point of principle raised is that *Mercantile shareholders* should have the right to decide on how much they should get for *the sale of a major asset. But af*ter all, Crownx had more than enough time to top Quadrex's bid before the auction was closed. The best thing would be for the Takeover Panel to scrap next Monday's special meeting, otherwise the overdue breakup of Mercantile House is going to be put on indefinite hold.



at that. The continued discussions with third parties seem equally a matter of form; a white knight would have to fight not only Equiticorp's 39 per cent holding, but also Lord Kis*sin's evident willingness to in*crease his minority stake under the proposed new regime. Mr *Robert Maxwell's motives in* raising his own stake yesterday are not easy to follow, but then they seldom are.

At yesterday's close of 119p, the shares are probably looking less to an increased bid - though *that is technically feasible* - than to the chances of minority holders prospering under Equi*ticorp management. Investors* in the Channel Tunnel, meanwhile, seem assured of Mr Morton's undivided attention in future.

Guinness Peat

The latest stage in Equiticorp's negotiations with Guinness Peat might be taken as proof, were it still needed, of *the New Zealanders' ability to* run a merchant bank. With an adroitness not allowed for by the London market, they have driven a wedge between Mr Alistair Morton and his executive board, enlisted Lord Kissin as an ally, apparently squared themselves with the Bank of England and almost certainly *clinched the whole deal at 115p* a share.

The formal rejection of the of*fer by the Guinness Peat board*seems mere face-saving, given their failure to object to Equiticorp picking up a further 4 per cent stake at that price, and from Guinness Peat employees

Coats Viyella

When David Alliance set off on his trail of textile takeovers his aim was an international group to rival all comers. The merger 18 months ago which produced Coats Viyella provided the basis for just such a business - yet market confidence has been sapped by the length *of time it is taking for the* benefits to come through. Yesterday's interim results, showing earnings per share up 30 per cent, demonstrated that even the early gains are significant. And a 20 per cent dividend rise reveals a new generosity to shareholders even if the amount of information provided remains stingy.

A sales gain of only 5 per cent like-for-like is a touch disap*pointing, though volumes on the* handknitting side must have been grim and exchange rates worked against Coats. The profit gain came from wider margins - and there is plenty of scope to improve those further - and lower interest charges. The *prospect of nil gearing by the* year end after capital expenditure of £100m is impressive. Coats can easily finance the small acquisitions with which it may now be content.

If profits top £220m the 1987 *multiple is a bare 13, with the* shares up 18p to 373p yesterday, and in 1988 it should fall to under 11½. *The rating of the com*pany, and the sector, is overdiscounting fears of US protectionism on textiles and paying too little respect to improved management.

Australia

The journey from incipient banana republic to near-balanced budget in one year has, understandably, sent the Australian equity (and bond) market on a merry upward dance supported by good-looking economic statistics and company results. But the carefully nurtured budget surprise serves as a metaphor for the whole economy: impressive progress, insecurely based. This view, which rests on the apparent budget benefits from asset sales and the worringly optimistic forecasts on investment, inflation and the terms of trade, will be *confidently dismissed* by the markets *in the short-term*. But watching the Labour Government negotiate its tight-rope - now strung even higher by the budget ambition - could make for nervousness next year.

The apparently virtuous circle of lower interest rates helping to push the dollar up - *thanks to the inflow of foreign* funds - depends on the hot money not fleeing to the US as soon as rates there *start moving up*. It also stimulates renewed anxiety about the current account. While profit forecasts are being marked up, this view may seem rather churlish, particularly to those London investors who *have missed out on the latest* surge fearing their historically high exposure. The budget com*ments on the corporate and* property tax structures, along with lower interest bills, should also keep Australia close to the top performing market by speeding the baton change from resources to industrial stocks. But although changes to superannuation schemes may stimulate more local investment, the *leading multinationals have run* ahead of the rest largely due to foreign interest. Maybe the Government will now be able to devote more effort to stimulating domestic investment.

Economic projections were upset by an earthquake writes **Sarita Kendall in Quito**

Ecuador's oil lifeline beats again

ECUADOR IS showing great resilience for a country which has suffered two serious financial setbacks in the last two years.

The sudden drop in oil prices during 1986, and the partial destruction of the transandean pipeline by an earthquake in March 1987 hit the economy where it hurt most - oil earnings *fell by nearly $1bn in 1986, then* dried up altogether between March and August this year while the pipeline was repaired.

"If it hadn't been for these exogenous problems we wouldn't have been in this situation now," said Mr Rodrigo Espinosa, the Finance Minister, before *starting a European trip to con*tinue discussions on rescheduling the foreign debt.

"In spite of this the Government has gone ahead with liberalising the economy, an effort that is recognised in the international financial market."

President Cordero: last year in office

Mr Espinosa was optimistic about this week's meetings with Ecuador's creditors in Germany, France and the UK. He will be talking to Paris Club *representatives, as well as com*mercial banks on the steering committee.

Early this year Ecuador stopped interest payments on the $5.4bn owed to the banks and, soon after, the earthquake played havoc with economic projections for 1987. Mr Espinosa calculates the total cost of the earthquake (including reconstruction, loss of income, and damage to roads, houses *and local production) at nearly* $1bn.

Although oil is now flowing along the pipeline again, the minister expects this year's growth figure to be negative, and is looking for ways to fill a balance of payments gap estimated at $850m (which also covers the interest and amortisation due to commercial banks).

Before prices plunged, oil contributed about two-thirds of Ecuador's export income. But this year's earnings will be under $800m, representing less than 45 per cent of exports. Stopgap measures after the earthquake, such as the construction of a link to Colombia's southern pipeline, and loans of crude oil from Venezuela and Nigeria, barely served to keep the domestic market supplied with fuel.

"Sales contracts are running normally now - we didn't lose *any customers while exports* were paralysed," said Mr Fernando Santos, the Oil Minister. By the end of this month repairs on the pipeline will be complete - some temporary sections installed in particularly difficult places along the Andean ravine still have to be replaced.

Because the terrain is so unst*able, a new pipeline shortening* the distance through the foothills to the main Amazon oilfields may be built. This would provide an alternative route over the most vulnerable stretch and would also benefit companies exploring areas south of the production centres at Lago Agrio and Shushufindi. *Talks with the Italian Govern*ment, which has offered a soft loan for the construction of the link, are in progress.

Exploration contracts signed with foreign companies in recent years are already showing *promising* results. *BP is work*ing near the border of a block alongside CEPE, the state oil corporation. Oil has been discovered on both sides of this border, and there are hopes that further drilling will reveal one big field.

Ecuador is offering five more Amazon plots and a coastal one *for exploration in an effort to* raise proven reserves beyond the present 1.5bn barrels. "The big companies are interested - we could be signing new contracts before the end of the year," said Mr Santos.

This year's oil production will be down to about 60m barrels, compared with nearly 110m bar*rels in 1986. Although Ecuador* desperately needs the foreign exchange, daily production will continue to run below capacity - partly because of Opec obligations, and partly to defuse accusations that higher production rates are not technically advisable.

Ecuador does, however, need *to increase its present Opec* quota of 220,000 b/d. Domestic consumption uses up some 105,000 b/d, and refining capacity will reach 120,000 b/d when the Esmeraldas plant comes back into operation at the end of this month.

Non-oil earnings have been affected by the drop in coffee prices, and, unusually for Ecuador, there will probably be a *trade deficit of $150m to $200m* at the end of the year. In an effort to stop the free market soucre slipping, the Government recently raised reserve requirements - a measure which was seriously condemned by bankers.

But now that President Leon Febres Cordero has begun his *last year in office and the elec*tion campaign is getting underway, some economic analysts expect to see an increase in public spending.

Ecuador's $8.6bn foreign debt includes $1.7bn from multilateral agencies and $1.1bn loaned by governments. Some World Bank and IDB credit for export commission, the financial sector and agriculture may come in before the end of 1987, while Venezuela *has* agreed to postpone the repayment of the 12.5m barrel oil loan made after the earthquake.

All this will help close the balance of payments gap, and it is hoped that the Government's tight monetary policies, combined with measures to free the exchange market and reduce *import tariffs, will be rewarded* by Ecuador's commercial creditors.

The banks' response to the country's problems has been "very positive", according to Mr Espinosa, who does not foresee any major obstacle to an IMF agreement.

The minister is cautious *about dates and terms, although* an IMF mission is to visit Quito in October. With congressional and presidential elections scheduled for January 1988, political energies are focused on candidacies and campaigns. But the more serious contenders are also watching the debt negotiations anxiously as they calcu*late the financial fate of the* economy they might inherit.

UK growth in economy forecast

Continued from Page 1

will grow by as much as 4 per *cent in 1987 against its budget* forecast of a 3 per cent rise.

The buoyancy of the economy and a sharp rise in privatisation receipts are the key factors behind the strength of government revenues shown in yesterday's figures for the public sector borrowing requirement in August. The PSBR during the *month was £750m against a gen*eral City expectation of £1.2bn.

The Treasury yesterday *sought to dampen optimism on* the outlook for government finances because of its concern not to provide ammunition to spending ministers in their current negotiations on their cash limits for the next three years.

Bids from spending departments already exceed the official target for 1988-89 by several *billion pounds, and the latest* figures will encourage the departments to press those demands. The Treasury would like to see a further cut in the borrowing target in 1988-89 rather than extra public spending or a *massive tax giveaway.*

A spokesman stressed that at this stage in the year, the PSBR is still subject to considerable uncertainty.

Hungary proposes economic reforms

BY LESLIE COLITT IN BUDAPEST

HUNGARIAN leader Janos Kadar yesterday admitted personal responsibility for "serious" economic mistakes in the past and urged Parliament to adopt the Government's severe austerity programme and wide-rang*ing economic* reforms.

The Government package, presented by Mr Karoly Grosz, the new Prime Minister, called for the reversing of Hungary's large trade deficit with the West, which reached $440m last year, in order to reduce the nation's soaring hard currency debt.

Eastern Europe's first personal income tax for wage earners is to be introduced next January, together with a value added tax. Corporate income taxes will be markedly lowered, while tax revenues from profit*able firms are no longer to be* used to subsidise loss-making firms.

Mr Kadar told deputies that the leadership "had to learn" from its errors. Among them, he said, was the belief that draft*ing five-year plans* and annual plans would automatically produce results.

Instead, he noted: "We consumed more than we produced." The 76-year-old party leader added that he bore the "greatest responsibility" as he had been in office the longest.

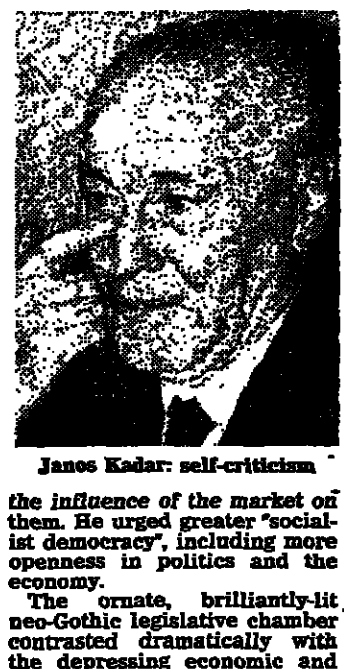
Mr Kadar also acknowledged that the party was still making the same error it had committed *since 1948. It paid bonuses and* provided free education and health services while lacking the "financial cover."

In spite of the burst of self-criticism, however, the Hungarian leader gave no hint *of wanting to step down after 31* years in power.

Earlier, Mr Grosz, who came to office three months ago, told the opening session of parliament that the nation's net debt to the West had risen to $9.3bn, double *its* annual hard currency exports. Interest payments alone amounted to more than *$800m annually*.

He said that in attempting to halt the rise in indebtedness the Government aimed to achieve a positive balance of trade next year. This would require a rethinking of objectives, as well as greater efficiency and discipline.

Mr Grosz noted that the Government wanted to strengthen the autonomy of companies and *the influence of the market on* them. He urged greater "socialist democracy", including more openness in politics and the economy.



Janos Kadar: self-criticism

The ornate, brilliantly-lit neo-Gothic legislative chamber contrasted dramatically with the depressing economic and political message. Mr Grosz said the political mood of the population was "much worse" than a few years ago. Confidence in the Government had declined and there was a danger of an increase of extremism.

As parliament opened, some *300 deputies received a letter* from a group of leading Hungarian intellectuals calling for a greater "democratisation" of political and economic life.

Finsider seeks $3.8bn state aid

Continued from Page 1

may be equally cautious, limiting itself to setting out various *options*. These are bound to include, however, the highly contentious closure of the modernised works at Bagnoli in Naples, which employs around 3,500 people.

The Finsider plan is likely to envisage a cut in total employment *to just above 50,000* from the current level of 77,000. This will involve a strong tussle with the Government since cuts of 50,000 over the last six years have been achieved only through early retirements and voluntary redundancies. But there is little optimism at Finsider that further cut can be *achieved without dismissals*.

One slightly devious way of achieving these will be through selling plant and equipment to the private sector

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	33	91	Malta	S	30	86	Rhodes	S	33	91
Algiers	S	31	88	Edinburgh	S	14	57	Manchester	F	17	63	Rio de J'o	-	-	-
Amsterdam	F	17	63	Faro	S	28	82	Manila	-	-	-	Rome	S	30	86
Athens	S	37	99	Florence	F	26	79	Melbourne	C	13	55	Salzburg	S	24	75
Bahrain	S	36	97	Frankfurt	S	21	70	Mexico City	-	-	-	San Francisco	S	13	55
Bangkok	R	30	86	Funchal	S	29	84	Miami	S	25	77	Seoul	F	23	73
Barcelona	S	27	81	Geneva	S	26	79	Milan	S	27	81	Singapore	F	31	88
Beirut	S	30	86	Gibraltar	S	25	77	Montreal	F	15	59	Stockholm	F	11	52
Belfast	S	14	57	Glasgow	F	15	59	Moscow	C	12	54	Strasbourg	S	23	73
Belgrade	S	27	81	Guernsey	S	20	68	Munich	S	24	75	Sydney	S	18	64
Berlin	F	16	61	Helsinki	C	9	48	Nairobi	F	28	82	Taipei	-	-	-
Biarritz	S	34	93	H. Kong	F	30	86	Naples	S	31	88	Tangier	S	34	93
Bombay	F	30	86	Innsbruck	S	25	77	Nassau	-	-	-	Tel Aviv	S	30	86
Bordeaux	S	28	82	Inverness	F	15	59	New Delhi	S	34	93	Tenerife	S	29	84
Brussels	C	19	66	Islamabad	-	-	-	New York	S	18	64	Tokyo	R	24	75
Budapest	S	20	68	Istanbul	S	30	86	Nice	S	27	81	Toronto	F	11	52
B. Aires	C	16	61	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	29	84
Cairo	S	34	93	Jersey	F	23	73	Oporto	S	25	77	Valencia	S	29	84
Cape Town	F	15	59	Jo'burg	S	25	77	Oslo	S	13	55	Venice	S	28	82
Caracas	C	27	81	Lima	-	-	-	Paris	S	23	73	Vienna	S	22	72
Casablanca	F	27	81	Lisbon	S	28	82	Peking	-	-	-	Warsaw	F	16	61
Chicago	R	27	81	London	C	17	63	Prague	S	20	68	Washington	S	21	70
Cologne	F	21	70	Los Angeles	C	19	66	Reykjavik	C	4	43	Zurich	S	25	77
Copenhagen	F	13	55	Luxembourg	S	19	66								
Corfu	S	36	97	Madrid	F	30	86								
Dallas	S	22	72	Majorca	S	34	93								
Dublin	S	15	59	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Briton appointed to top EC post

Continued from Page 1

viser on institutional affairs to Mr Jacques Delors, the Commission president. He is expected to become EC ambassador to Washington in 1989 when Britain's Sir Roy Denman retires from the job.

The appointments mark the conclusion to *a period of furi*ous national lobbying for the Noel succession, seen by many *as the pivotal* position in the bureaucracy. However much of Mr Noel's influence stemmed from his encyclopaedic knowledge of past EC negotiations, which Mr Williamson cannot yet hope to match.

A British secretary-general was regarded as a strong possibility since the EC summit at Fontainebleau in 1984, when a secret Franco-British deal was rumoured to have been done. This provided UK support for a French Commission President

However, subsequent clashes between Mrs Thatcher and Mr Delors, culminating in the British Prime Minister's isolation once again at the last EC summit in Brussels in June, had cast new doubt on the appointment.

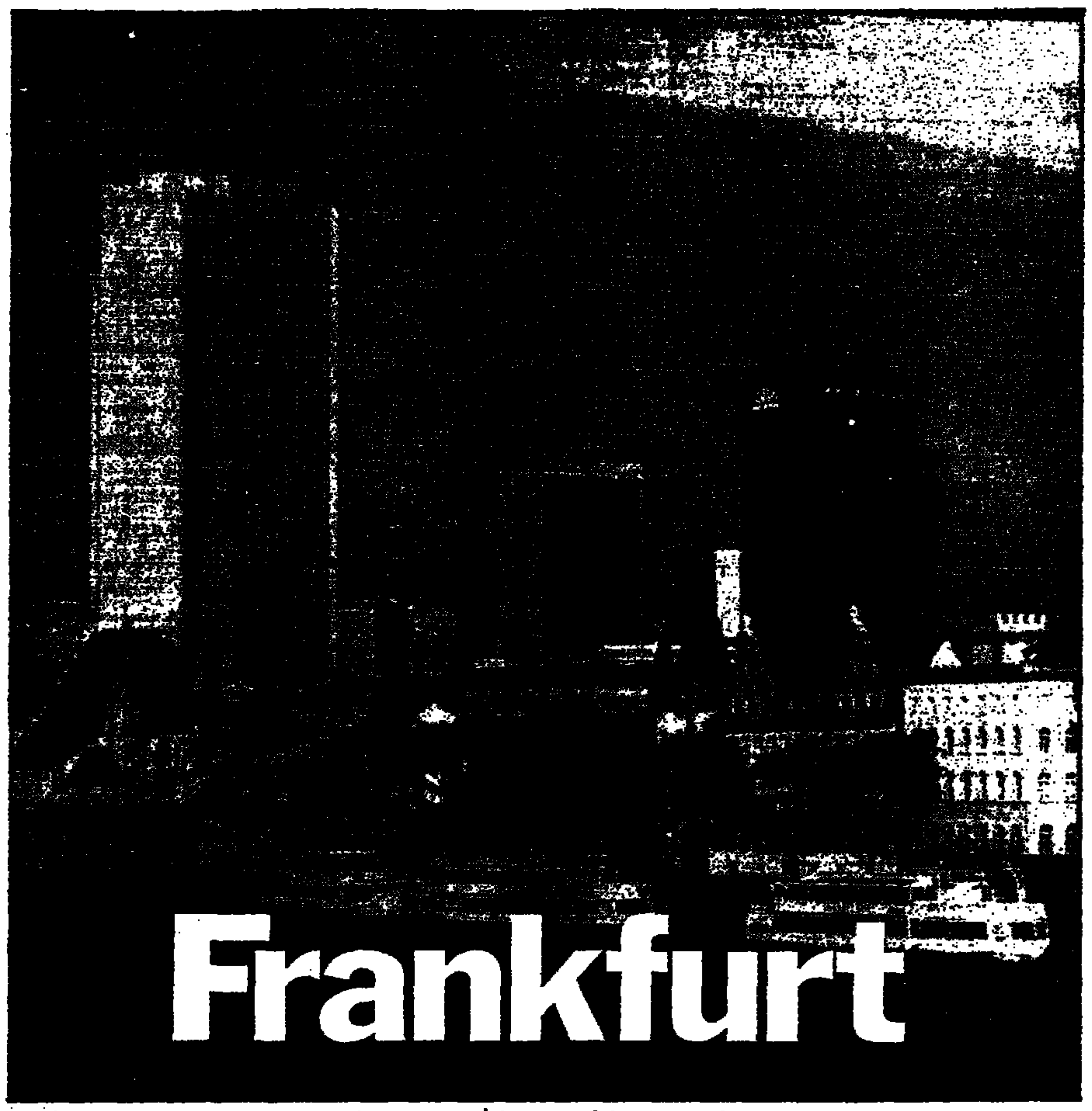
The move means a further reduction of French influence in the Commission, particularly over personnel appointments, as well as a setback for West Germany. *However, Chancellor* Kohl is believed now to be most keen on obtaining the post of *Nato secretary-general for his* Defence Minister, Mr Manfred Woerner.

The vote in the Commission on Mr Williamson's appointment was by 12 votes to two, the latter being abstentions. The two negative votes were understood to be those of Mr Karl-Heinz Narjes, the senior German Commissioner, and Mr Claude Cheysson, the former French Foreign Minister.

SECTION III

FINANCIAL TIMES SURVEY

Financially, it is Germany's dominant city. It is also its advertising capital and home to major industries. Frankfurt has suffered from an image problem, however, which it is now trying to tackle. **Andrew Fisher** looks at this energetic, if somewhat unattractive, city



No other West German, or even European, city has such a contemporary skyline rising up from its centre

CONTENTS

Lots of verve if not style

SEEN FROM the motorway that runs in from the rolling Taunus hills to the north, Frankfurt's skyscrapers appear to rear up like great commercial icons with a sureness and arrogance that smacks more of North America than western Europe.

No other West German, or even European, city has such a contemporary skyline rising up from its centre. While not exactly beautiful - some of the buildings are downright ugly - the total effect is certainly striking.

For what this modest-sized city of just over 600,000 people on the River Main may lack in style, flair or conviviality, it makes up for with an abundance of business energy, cultural vitality, and appetite for enjoyment. Financially, it is Germany's dominant city, housing its central bank, the headquarters of the big three commercial banks, a host of foreign investment institutions, and the largest stock exchange. Just over a fifth of its population is foreign, the highest proportion of any German city.

It is also Germany's advertising capital and home to some of its major industrial corporations like Hoechst chemicals; I G Metall, the largest trade union in the western world, is based here, as is the German Football Association, with former midfield star Franz Beckenbauer running the national team. The city is the site of the country's second largest industrial fair (and the world's most famous book fair) and its airport is the busiest in continental Europe.

Yet officially, Frankfurt is not the capital of anything. Just as it was gearing itself up after World War II to become the new Government centre of the fledgling Federal Republic, the prize was snatched away by Bonn, a sleepy little town on the Rhine. And Wiesbaden, with more gracious style and elegance but less pace than Frankfurt, is the administrative centre of the state of Hesse.

Nor has Frankfurt been an automatic stop on the tourist circuit, though there is plenty to see in and around the city of Goethe and Rothschild and more people are now stopping off to take a look. It was so badly bombed near the end of the war that its well-preserved mediaeval heart virtually disappeared. Today it is a mixture of (mostly restored) older buildings, squat and utilitarian post-war structures, and the newer and occasionally more impressive skyscrapers.

In appearance, therefore, Frankfurt has suffered from its painful recent past, as well as from its own over-hasty rebuilding efforts. Its sheer commercial robustness has not always recommended itself to visitors, and its inhabitants can occasionally be brusque. Thus it has had to contend with a severe image problem. In short, it has sometimes been regarded as an urban nightmare.

At one time, that harsh tag may have been more than justified. After the heady post-war boom years of the 1950s, Frankfurt came to represent for many all that was worst in modern economic life. It was aesthetically unappealing, to say the least, it seemed to have an over-regard for material well-being, streets seemed like permanent building sites as new road and underground train links were being built, it was constantly being disrupted by youthful left-wing dissent, and such inner-city blights as drugs and crime flourished.

Neatly describing its poor image, John Ardagh also argued sympathetically in his recent book, Germany and the Germans, that this was not entirely deserved. "The town's general reputation for mercenary brashness has given it a bad name around the world. It is considered soulless, characterless, too materialistic, too Americanised, especially by older people who remember the pre-war Frankfurt as one of the largest and finest mediaeval centres in Europe."

Admitting that Frankfurt was no beauty, he praised its vitality. "It has improved greatly in the past 20 years and today is one of Germany's most lively and exciting cities, teeming with new ideas, new ventures and conflicts, and it has a more active and varied cultural life than any other except Munich and Berlin."

Thus it was no accident, though certainly a welcome surprise, that Frankfurt, sometimes dubbed Bankfurt or Mainhattan, topped the list in a survey of towns carried out for the EC by Reading University in England. This took into account income per head, unemployment, net migration, and the supply of hotel rooms, setting these against population changes. Frankfurt emerged as one of five German cities with fewer problems in the mid-1980s than in the early 1970s.

Clearly, Frankfurt would not top most people's lists of where to go in Germany. It is a city based on work and money. It lacks the elegant dignity of Hamburg, the northern port city; the hedonistic chic of Munich in the south; the chirpiness of Cologne on the Rhine; or the sleek style of Duesseldorf in the Ruhr. While it has plenty of life, its soul is not easy to find.

Frankfurt does not have the grand boulevards and broad shopping avenues which distinguish other European cities. True, its main shopping street, Zeil, has the highest turnover in the country. But it is architecturally bleak. Nor does the small Goethestrasse, with its expensive boutiques, exactly radiate charm.

In the past, Frankfurt has often been called Germany's secret capital. Nearly 1,200 years old - Emperor Charlemagne held a synod at "Villa Franconofurd" in 794, though Romans had settled earlier - it became the place where emperors were elected and a flourishing centre of trade and commerce. As well as a strong cultural tradition, its people also developed an instinct for politics.

It was in Frankfurt that the liberally-intentioned National Assembly met to form a pan-German state in 1848, the year that republican feeling swept Europe. Instead, Bismarck's Prussia came to dominate North Germany, including Frankfurt which lost its status as a Free City in 1866. So upset was the mayor of the time at this loss of status that he took his own life. Later, in 1871, the treaty ending the Franco-Prussian war was signed here.

Today, you have to look hard for signs of Frankfurt's colourful past. Allied bombs destroyed or damaged 80 per cent of its buildings in 33 bombing raids between 1940 and 1944, leaving 17m tonnes of rubble. March 1944, saw the most devastation, with several hundred British bombs wiping out most of the centre in one night.

After the war, Frankfurt became the headquarters of the US occupation forces, who based themselves in the building of I G Farben, the chemical combine which was split into three. Rebuilding began quickly, too quickly in the view of many who resent the faceless concrete city that Frankfurt quickly became.

But its character had already been changed drastically before the bombing. Under Nazi racialism, Frankfurt's Jewish population, active in business, culture and science, was sharply reduced. Before the war, there were 30,000 Jews in the city, more than in the whole of West Germany today. Frankfurt's present Jewish inhabitants number 6,500.

For those charged with governing the city, the demands have sometimes seemed superhuman. Frankfurt used to be called ungovernable. Several post-war mayors died in their fifties though job stresses were not the only reason. After the strenuous efforts of post-war recovery, the city became a centre of left-wing agitation in the 1960s. That has died down, but only a few years ago there were violent demonstrations against the construction of a new airport runway.

In the 1970s, houses in the now-fashionable West End district were occupied by squatters determined to see that speculators did not tear them down and put up new office blocks. Conflict has never been very far away in Frankfurt's past or recent history. A few months ago, the plate-glass windows of several bank branches in the centre were smashed by demonstrators showing sympathy with French students. Frankfurt has a large university, with a strong left-wing tinge.

Politically, however, the scene has been peaceful ever since the conservative Christian Democrats (CDU) wrested control from the Social Democrats (SPD) in 1977. Under its new mayor, Walter Wallmann (now Prime Minister of Hesse), Frankfurt seemed to blossom. It became greener, quieter, and pleasanter. The bombed neo-classical Opera House was expensively renovated. Pedestrian areas were created. The mediaeval houses on the Roemer square near the river were finally rebuilt. Andthe city now has an attractive line of museums on the Main's south bank.

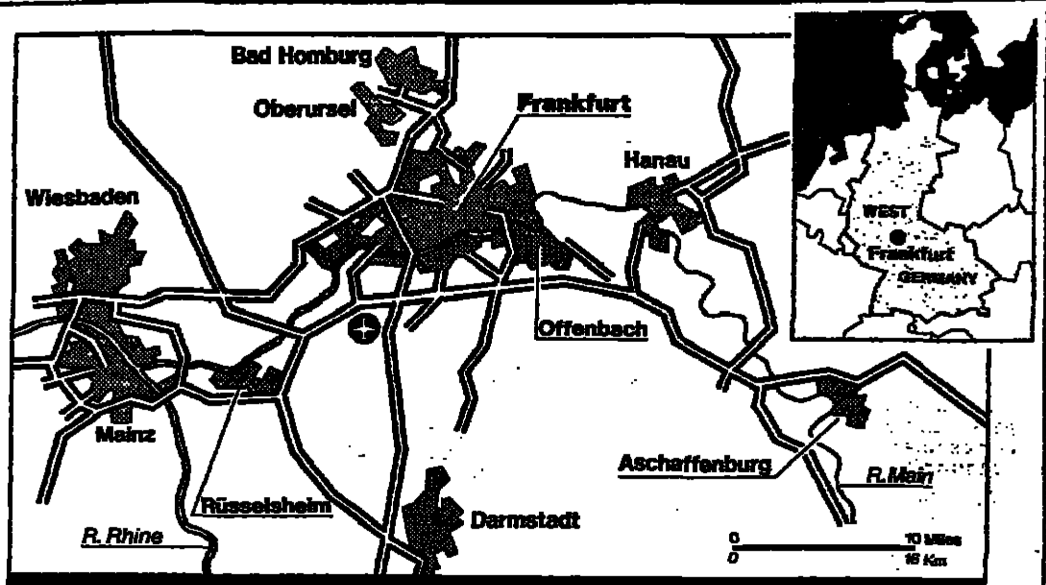
Wallmann exercised a soothing influence on a bruised city. Some of the way had been paved by his predecessor, Rudi Arndt of the SPD. But Arndt never managed to live down the image of "dynamite Rudi", stemming from an unguarded moment when he suggested the long-debated issue of the Opera House could best be solved by blowing it up.

Today, the building gives Frankfurt a much-needed architectural and cultural focus. Showing that culture and finance are never far apart in this money-conscious city, the icily elegant twin towers of the Deutsche Bank headquarters are just a stone's throw away, impassive and almost disdainful of the world below.

For wealth, personal or corporate, is not seen as something to be flaunted in Frankfurt, though it is there in plenty. "It was never a disgrace to be rich in Frankfurt," said Walter Hesselbach, former chairman of the Bank fuer Gemeinwirtschaft. "But it was always considered bad taste to make a show of one's wealth."

Domestic banks

Others follow to home of the Bundesbank



BONN MAY BE the political citadel, but Frankfurt is undoubtedly West Germany's financial fortress. That dominance, established after the Second World War, has sharply increased in the past two years thanks to the Bundesbank's step-by-step reform of Germany's capital markets and international investment banks' increasing appetite for representation in the world's main markets.

Add to that Germany's status as a leading trading nation, the Deutsche Mark's traditional strength, and its increasing *de facto* role as an international reserve currency - once resisted strongly by the Bundesbank - and the importance of a Frankfurt presence becomes all the clearer for domestic and foreign banks alike.

Though Frankfurt was known for private banking in the nineteenth and early twentieth centuries, Berlin, Hamburg, or the fast-industrialising Rhineland were where the real banking action tended to take place.

Frankfurt really came into its own as a domestic banking centre after 1945. Its convenient location at the centre of Germany persuaded many domestic banks to establish their new headquarters on the Main. Some were also influenced by the fact that Bonn was intended to be a temporary capital only, pending a final decision on a new site, which most expected would be Frankfurt.

The city was also boosted by the decision to set up the Bundesbank in Frankfurt. Last month the central bank celebrated its thirtieth birthday here.

So it is no surprise that the present towering headquarters of Deutsche Bank, Dresdner Bank and Commerzbank - Germany's three biggest private-sector banks - should now be Frankfurt landmarks. Indeed, it is hard to imagine them anywhere else.

But the big three are by no means alone here. Deutsche Genossenschaftsbank, which is the central bank for Germany's co-operative banking movement, also has its skyscraper HQ here. So does Bank fuer Gemeinwirtschaft, a major national bank which used to be owned by the country's trade union movement before it ceded majority control to the Aachener and Muenchener insurance company earlier this year.

Frankfurt is also the home for Hessische Landesbank (Helaba), the main public-sector bank for the state of Hessen. Though Wiesbaden, 30 minutes drive to the west, is actually the state capital, Frankfurt is by far Hesse's biggest city and the obvious choice for Helaba's HQ.

All Germany's leading regional banks also maintain sizeable Frankfurt operations. Cologne-based Westdeutsche Landesbank has a large branch, while the big three Bavarian banks, Bayerische Vereinsbank, Bayerische Hypothekenbank and Bayerische Landesbank, are also active.

For some time, Bayerische Vereinsbank has been sitting on a prime piece of real estate in the middle of Frankfurt's main banking avenue. After repeated denials, it recently announced that it intends to develop the site and shift much of its investment banking and securities operations to Frankfurt. The bank is only bucking the trend in that its planned building will be a mere 12 storey tiddler on a street that is turning into Frankfurt's Manhattan with its towering bank blocks.

Indeed, the decision of a string of smaller regional banks to set up new trading and investment banking operations in Frankfurt has been one of the most interesting developments on the domestic banking front in recent months.

Norddeutsche Landesbank, one of Germany's biggest public-sector banks, based in Hanover, is establishing a securities operation in Frankfurt. The bank intends aggressively to use the chances Frankfurt has to offer, said Mr Bernd Thiemann, its chief executive.

Among other new regional arrivals is Deutsche Siedlungs- und Landesrentenbank, the state-owned financial institution which is now a commercial bank in all but name. DSL Bank is to establish a small 10-man securities trading office. Bankhaus Lampe, based in Bielefeld and 25 per cent owned by DG Bank, is taking the same step.

So too is Hamburg-based Vereins-und Westbank; its new Frankfurt operation will give equal weight to securities, trans-regional and international business, according to a spokesman. And Marcard, Stein, the Hamburg-based bank which is majority owned by Banque Indosuez of France, will probably be setting up a satellite operation for investment banking and "just to be seen", according to a senior man.

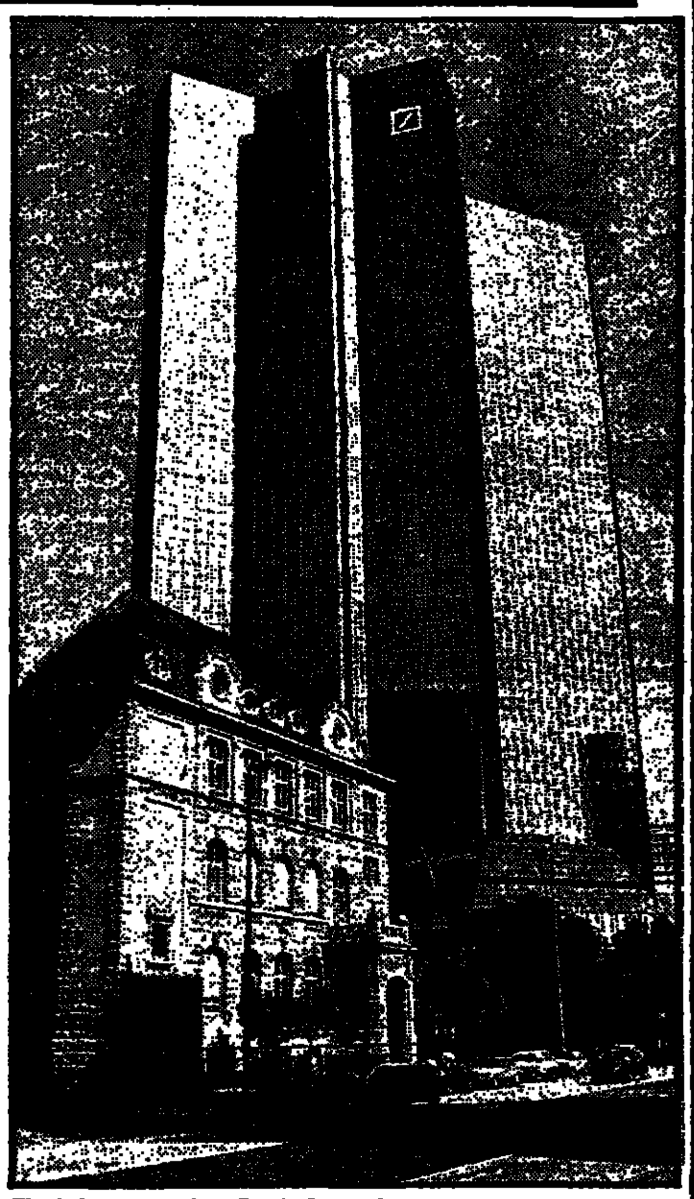
Though most of the banks concerned are small to medium-sized, the weight of such decisions should not be underestimated. Regionalism runs deep in Germany, and few banks will have taken the decision to set up even a small Frankfurt trading operation lightly.

Their reasons for coming to Frankfurt partly stem from the Bundesbank's presence, and partly from the fact that the city's stock exchange is by far the largest in Germany, accounting for a little over 50 per cent of overall stock and bond turnover.

The soaring value of shares in 1985 and 1986 probably helped to strengthen Frankfurt's hand, as did the vast growth in federal government bond business. Though both markets have been highly influenced by the weight of foreign buyers, almost every domestic bank with serious pretensions in securities now feels it needs to be represented in Frankfurt too.

Of course, German securities can often just as well be traded on whichever of the eight regional bourses is most convenient for a given regional bank. But executives in many houses have come to recognise the advantage of being here not just to trade stocks, bonds and foreign exchange, but also to have a listening post for picking up the latest news and market gossip.

Haig Simonian


The twin towers of the Deutsche Bank

Foreign banks

Most banks are foreign

FOREIGN BANKS in Frankfurt are hard to miss. The city now boasts some 373 banks, 255 of them foreign. Some have been here *for decades*, while US leaders like Citibank, Chase Manhattan and Morgan Guaranty first set up shop soon after the Second World War, when Frankfurt was the centre of the US zone of occupation.

The military connection is still there. American Express Bank, based in Frankfurt, caters for the everyday banking needs of the very large US military presence in Germany, although it will soon have to hand over the reins.

Swiss, French and Spanish banks are also well-represented, as are the British, though they can sometimes inadvertantly be overlooked. Lloyds Bank, for example, a couple of years ago bought Schroeder, Muenchmeyer, Hengst, a leading private house, in what, with the benefit of hindsight, was a very smart move.

Others have also been acquiring. In February, Spain's Banco Santander bought C C Bank, a 30-branch consumer finance operation from Bank of America, along with the Visa credit card franchise, as part of its plans to expand its German business after Spain's membership of the European Community.

But there is more to banking in Frankfurt than just the leading US and West European groups. The numbers of smaller banks from the Far East and the developing world have also been growing considerably.

Most used to head for Hamburg, Germany's main port, and some still do. But a combination of Frankfurt airport's importance in international airfreight and the city's existing role as a centre for import-export businesses has meant more of those interested in trade finance have been heading straight for the Main.

What do all the foreign banks do? The smallest are happy to maintain a representative office, show the flag, develop contacts and keep their ears to the ground. A number of overseas central banks, such as those of Uruguay and Argentina, also have rep offices here for the same reasons.

Trade finance is bread and butter for many of the bigger foreign houses. Most are also active in foreign exchange trading since Frankfurt is the fourth or fifth largest forex market in the world.

The poor reputation of most West German banks in foreign exchange trading until relatively recently helped many foreign banks to make a mark in an otherwise very competitive and overbanked banking market. German banks are becoming more competitive in currency trading, but the foreigners - notably US institutions - still have a lead thanks to keen marketing and pricing.

In the past two years, however, investment banking has been the biggest draw for foreign houses as the Bundesbank has gradually reformed the German capital markets.

First on the list was the abolition of witholding tax on securities in April 1984, followed in May 1985 by the go-ahead for a host of new instruments like swaps and floating rate notes.

At the same time, all foreign houses - bar the Japanese - were given permission to lead-manage Deutsche Mark Eurobonds. *In April 1986, the federal government bond* underwriting consortium was widened to include over 20 foreign banks.

Their enthusiasm for underwriting is hardly surprising; well over 60 per cent of new federal bond issues now end up in foreign hands, and some put the figure as high as 80 per cent. Moreover, only this year did the West German stock market end a seemingly unstoppable two year bull run, largely fuelled by investors from abroad.

As the country's financial capital, it is hardly surprising that the new foreign investment banks have set themselves up in Frankfurt. Moreover, many existing foreign commercial banks have been building new investment banking departments or expanding those they already have.

Apart from the US banks, the Swiss are among the best entrenched in investment banking houses, being early arrivals. After buying Effectenbank-Warburg, an established Frankfurt name, Credit Suisse created CSFB-Effectenbank, an investment banking operation modelled on the extremely successful Credit Suisse-First Boston in London.

Union Bank of Switzerland, which also bought a bank, has a solid, if less exciting, reputation, while Swiss Bank Corporation, starting from scratch, has attracted a number of senior German bankers and now employs well over 200 in Frankfurt. Bucking the trend of closing down commercial banking branches in other parts of Germany, it is thinking about opening another office, probably in Munich.

This year has seen the arrival of some top Wall Street names. *Salomon Brothers* offically opened at the start of February, though they had actually been in town since last summer. Pinched for space in its offices in Deutsche Bank's old headquarters, Salomon will be moving around the end of this year to bigger premises in DG Bank's skyscraper. Meanwhile, Morgan Stanley officially started business in Frankfurt on June 1.

Merrill Lynch, which is already well represented in Germany through its offices selling US equities to institutional and private investors here, is also applying for a banking licence; its investment banking operation should be running by early next year.

Meanwhile, Goldman Sachs and Shearson Lehman Brothers are keeping mum about their plans for Germany, though Shearson has alrady hired a high-ranking German banker to fill an ambiguous role in London. It looks very much like a German operation in the wings.

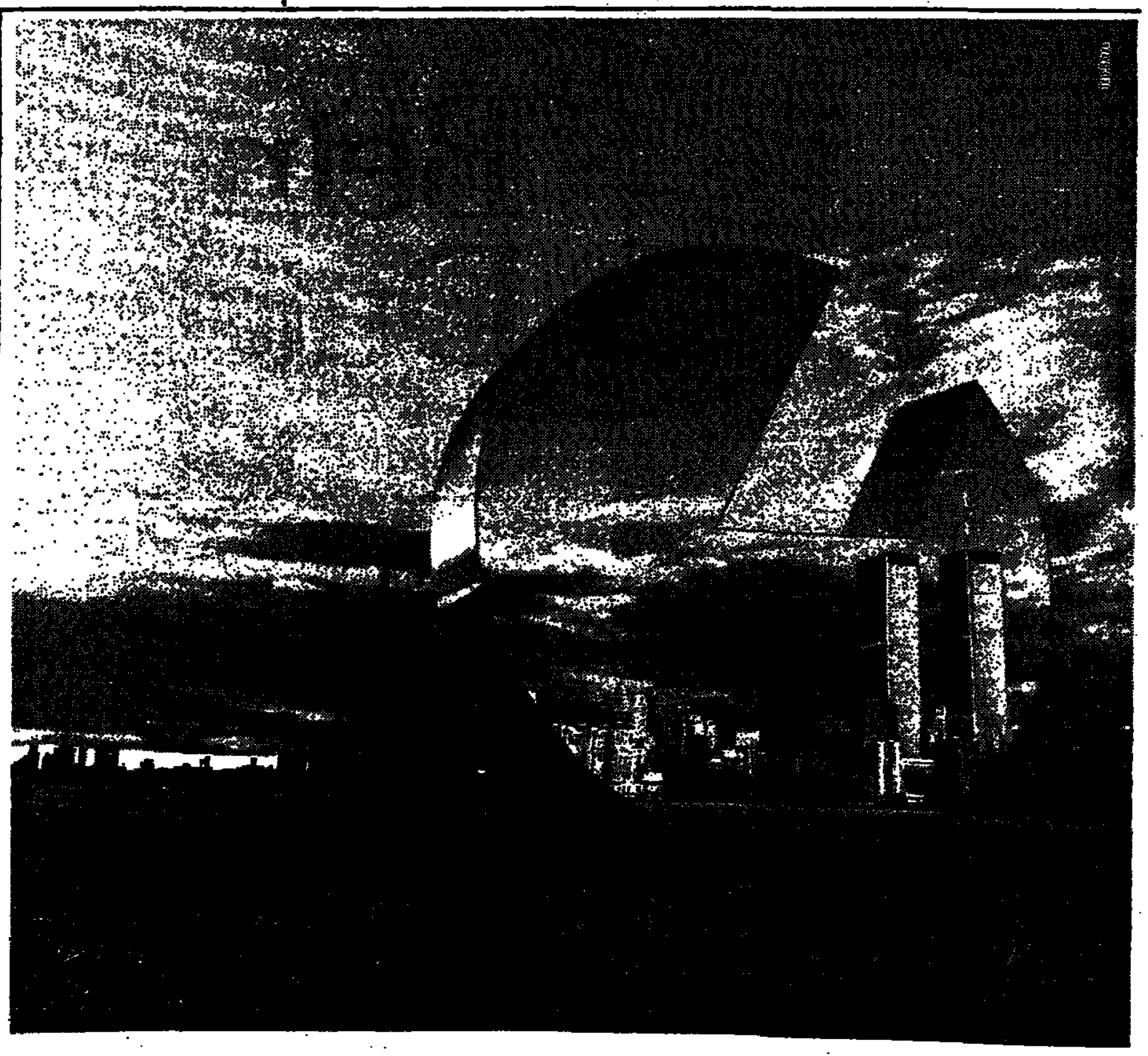
The US investment banks will have a hard time keeping the limelight when the Japanese houses finally start lead-managing Deutsche Mark Eurobonds, a privilege the Bundesbank has withheld until all the West German banks applying for securities licences in Tokyo have been satisfied.

Unlike the Japnanese commercial banks, which have tended to head for Duesseldorf, Japanese investment banks and securities houses have all come to Frankfurt. Another 10 or so Japanese houses are said to be keen to open here once the rules about lead-managing Deutsche Mark Eurobonds are changed.

All the arrivals have put further pressure on Frankfurt's already scarce central office space. Though not yet on a par with London's Big Bang, the inflow has also increased the demand for good securities staff, appreciably pushing up salaries.

Some German bankers are unhappy about that. But the brighter side is that the newcomers have added depth to Frankfurt's financial markets - and perhaps some richness to city life as a whole - while confirming its dominant position in West German finance.

Haig Simonian



Andrew Fisher profiles Bundesbank President Karl Otto Poehl

Playing a key world role

Poehl: his approach has gone down well

IN THE 10 years that Karl Otto Poehl has been in Frankfurt at the Bundesbank - nearly eight as President - he has brought a new, more open style to the West German Central Bank. (It received an unexpected test last month when one of his secretaries was investigated for alleged co-operation with a fugitive foreign exchange dealer sought in connection with the Volkswagen currency fraud.)

It is not necessarily a style all find suitable. German bankers in general tend not to be the most outgoing of people, and some have found Poehl rather lightweight. But his easygoing, pragmatic approach has mostly gone down well at home and abroad, contrasting with the stiff image central bankers often convey. Now confirmed in office for eight more years, Poehl will continue to play a key role on the world's stage.

Apart from watching over his country's money - to Poehl and his five fellow Bundesbank directors, financial stability is paramount - he has been keen that Frankfurt should improve its status as a financial centre.

Thus the bank has swept away most remaining curbs on foreign bank activities in the capital market. Poehl, 57, a one-time economic journalist who became a state secretary at the finance ministry in Bonn, welcomes the procession of non-German banks "which have followed our call or invitation and come to Frankfurt".

Even so, he reckons there is more to do, mainly on the legislative side by permitting futures and traded options business and doing away with the stock exchange turnover tax, which inhibits secondary market trading. He is irked that chancellor Helmut Kohl's centre-right Government did not remove this tax, as promised, after the January election.

"It is very regrettable because it hinders the development of Frankfurt as a financial centre," he says. The tax yields some DM800m a year to the Government, far more than a few years ago before securities markets took off in Germany. But the revenues lost through dropping the tax would, bankers argue, be outweighted by the impact of the extra business gained from centres like London or Luxembourg.

Some foreign bankers reckon German institutions have been slow to take advantage of the new instruments that the Bundesbank has allowed like certificates of deposit, floating rate notes, and zero coupon bonds.

Loyally, Poehl claims not to be bothered by what many see as the innate conservatism of the big German banks. "I've no complaints," he says. They have built up their foreign activities, he points out - last year, Deutsche Bank paid $603m for Banca d'America e d'Italia - and have a strong financial basis, with a generous measure of hidden reserves tolerated by German accounting laws.

Also, the big German universal banks encompass a variety of activities like investment banking and industrial stakes that are not permitted in, say, the US. "So German banks do not have to jump into every new innovation."

Having set the signal at green, the Bundesbank has to wait and see how markets develop. Poehl is keen that *Finanzplatz Deutschland* (Germany as a financial centre) should continue to grow, despite vigorous competition from London, Paris, Zurich and Amsterdam. "It is an important economic factor for Frankfurt and for Germany."

Yet Germany is subject to strong centrifugal forces from its individual states, inevitable in a country with no big capital city like pre-war Berlin. "In Germany there is always a certain tendency to regionalism, which can become mere provincialism." So while Frankfurt has become the dominant banking centre, the stock exchange structure remains decentralised.

Provincialism also has a more direct bearing on the workings of the Bundesbank, which is legally independent of the government. Key policy decisions like discount rate changes are made by an almost unwieldy central bank council of 17 people. Of these, 11 are from the states and are often more aware of domestic factors than the broader international picture.

For someone like the image-conscious Poehl, who enjoys his place on the world banking scene, domestic carping in the Bundesbank council or the conservative press must be frustrating. This has especially been the case in the debate over whether money supply should be allowed to keep rising above target.

The steep rise, now easing, has stemmed from the need to keep exchange rates stable in the face of past speculative inflows. Reining money supply back too sharply could unsettle a fragile economy. To Poehl, money supply - the main yardstick is central bank money stock - is only one indicator in any case "and should not be regarded as an absolute". So far, the strong Deutsche Mark and low oil prices have kept inflation at bay.

Frankfurt and its mayor

Planning well into the future

Mr Wolfram Brueck

MR WOLFRAM Brueck, Frankfurt's mayor since August 1986, is looking ahead. Not just to next week or next month, but much further. The first big date on his calendar is 1989, when Frankfurt will hold the "Bundesgartenschau", the federal German garden festival, which is a big event in the life of all West German cities.

Then comes 2004, when the town hopes to stage the Olympic Games. Mr Brueck would love to do it sooner, but earlier slots look unavailable. By far-sighted planning, he hopes to have more luck in his application than last year's well-engineered but ultimately unsuccessful bid by Birmingham, Frankfurt's UK twin.

Mr Brueck's emphasis on looking ahead is more than just another example of German thoroughness, however. He has had a hard act to follow in Mr Walter Wallmann, the Christian Democrat politician who first wrested Frankfurt from the Social Democrats in 1977. Mr Wallmann went on to become federal environment minister in Bonn before returning triumphantly to Wiesbaden, the state capital, as the new Prime Minister of the state of Hesse in April.

Mr Brueck, aged 58, sometimes has to fight criticism that, while an able administrator, he lacks Mr Wallmann's vision and charisma. That may be unfair, but there is no denying he has had the advantage of taking over a city that is enjoying something of a renaissance.

Developments in international finance have played some part, with domestic and foreign banks flocking to Frankfurt. But the city fancies itself as more than just a money centre and more like Germany's capital for service industry as a whole.

Mr Brueck and his fellow councillors have certainly spent lavishly to make Frankfurt more attractive and pleasant to live in, even if wartime bombing has made that an uphill task. Improvements are still being made to the already outstanding underground and local railway system, while further areas are being pedestrianised and more trees, it seems, are planted all the time. The way things are going, the place is in danger of turning into a forest in a couple of decades.

Mention the once high-class and now slightly seedy streets around the main railway station, however, and Mr Brueck is instantly on his guard. The area has become Frankfurt's red-light district and attracts visitors ranging from the disreputable to the plain curious and the simply lost.

Mr Brueck quickly rejects suggestions that the area is the "salt in the soup" of an otherwise highly efficient but rather antiseptic town centre. "The area has 16 times more crime than anywhere else in Frankfurt," he snaps. You are not encouraged to comment further.

The city council has just won a long battle to uproot the vice and "rehabilitate" the district. The reasoning is understandable, but the likely transformation from a den of sin to a web of banks, insurance companies and designer boutiques is not to everyone's taste.

Architecture is a special subject for Mr Brueck. Unfortunately Frankfurt wins no beauty contests, but its skyscrapers now seem to be "in" after years of derision. The city is keen to give itself a US-style "skyline", although "the new buildings must be of the highest architectural merit", says Mr Brueck.

Foundation work is already under way for the new tower at the Frankfurt fair. However, it is only one of about half a dozen projects which seem likely to be translated from the drawing board into reality. All have their merits, though opinions differ on whether the project for a new "Campanile" by the station wins awards for the most lyrical or pretentious name.

Mr Brueck admits some of Frankfurt's earlier skyscrapers could have been better designed. But "many new projects are being judged through competitons now," he says. And he emphasises the council is wary of sanctioning too much high-price, high-rise development for fear of driving up rents in the immediate neighbourhood, thereby damaging the business mix in any given area.

After years of being knocked by other German towns as an example of precisely what they are not, Frankfurt has been getting some envious looks of late. It could be that even being its "administrator" is no bad thing.

Haig Simonian

The Frankfurt market is one of the oldest in Germany, writes **Haig Simonian**

Change at the exchange

ONLY THE cranes towering above it give some idea as to where the DM60m currently being spent on renovating the Frankfurt stock exchange is going. Otherwise, apart from some unseemly temporary offices blocking its facade, it is business as usual at the bourse.

The Frankfurt market is one of the oldest in Germany, dating back over 400 years to the days when the city was a key trading centre for merchants from Germany's myriad principalities - and further afield - who met conveniently on the banks of the Main to fix exchange rates and trade their goods.

Things have changed a lot since, though some local money people think they have not gone far enough. Ripping out the insides of the exchange to make more space is a start. Developing new markets - for example in financial futures and options - is a further step. But the pessimists are worried that even those may not be enough to prevent business slipping away to other centres, notably London, because of continuing obstacles like Germany's stock exchange turnover tax.

Others in Frankfurt are tempted to sit on their laurels. The market is already the biggest in West Germany, they say, accounting for over 50 per cent of combined equity and bond turnover. Duesseldorf follows with around 30 per cent, then Hamburg or Munich, which squabble over third place.

Stock exchange business in Frankfurt is no longer the preserve of Germany's small private banks, which have declined sharply in number, especially since the 1930s, when many Jewish private bankers fled abroad.

However, contrary to the common belief that Germany's big commercial banks have a stranglehold over equity trading, private banks still play a surprisingly important role in stock and bond trading on commission.

"The big banks do no more than 40 per cent of the business," says one well-informed banker. Given the importance of the bourse, Frankfurt-based private banks are particularly active. Berliner Handels-und Frankfurter Bank (BHF Bank) is predominant in the market, though Schroeder, Muenchmeyer, Hengst and smaller houses like Metzler and Georg Hauck are also active.

Meanwhile, whatever its present physical shortcomings, foreign banks and securities companies have been drawn to the Frankfurt exchange in the past two years. Overseas money has largely been behind the climb in German share prices since 1985, while foreigners now account for well over half of new federal government bond issues. So it is no surprise that non-German securities houses have been keen to be more closely involved in the business.

But first-time US or UK visitors to the Frankfurt stock exchange may find things rather quiet if they time their arrival badly.

Admittedly, there is still an active trading floor, unlike post-Big Bang London. Rather than trading via specialist market makers, German stock exchanges use a matched bargain system to set share prices when buy and sell orders are brought together during their short official opening periods. But anyone coming on the wrong side of 11.30 - when offical trading opens - and 1.30, when it closes, is in for a let-down. Outside those times, the market is utterly quiet, with trading taking place over the phone between banks and dealers.

Some, such as Mr Michael Hauck, the chairman of the Frankfurt stock exchange, are firm believers in the existing system on the grounds that it offers greater transparency than using market makers. Moreover, they argue that the transparency it offers means control by outside regulators can be kept to a minimum.

But Frankfurt dealers may in time have to get used to a novel way of doing things if plans for a new computerised traded options market come off. Matched bargains are no use for equity options, which need continuous trading in the optionable shares and a system of specialist market makers. If a new options market ever opens, then banks may in time wonder whether physical equity trading should go the same way.

Manufacturing

A centre for industry

FRANKFURT IS not all banks, bonds and bourse trading. It also makes things. The city lies in the centre of a major industrial region, which houses some of the biggest, best-known and most international manufacturing concerns in Germany.

Along the bank of the River Main is the headquarters and plant of the largest chemical concern in the world, Hoechst. AEG, the electrical and electronics concern which is now part of the Daimler-Benz group, also has its base in Frankfurt. Metallgesellschaft, rapidly expanding its worldwide mining and metals activities, is in the city, along with Lurgi, its engineering subsidiary, as are metals and chemical firms Degussa and Ruetgerswerke.

Within easy reach of Frankfurt are Wiesbaden, Mainz, Offenbach, Hanau, and Darmstadt, all towns in their own right with a variety of industrial activity. Opel, the big car company owned by General Motors of the US, is based in Ruesselsheim, to the south-west of Frankfurt. Linde, the engineering and industrial gases company, has its headquarters in Wiesbaden.

Altogether, the Rhine-Main area provides industrial jobs for 650,000 people. In Frankfurt itself, there are some 100,000 jobs in industry, about twice those in banking and finance. Hoechst accounts for over a quarter of these.

Including research and wholesale activities, Frankfurt is the largest chemical site in Germany. The towns dominated by the other two big german chemical groups, Ludwigshafen (further south) with BASF and Leverkusen (to the north) with Bayer, are one-company towns without the wider spread of activity the industry has in and around Frankfurt.

Frankfurt has always looked beyond its regional and national borders, with a tradition in trade and industrial fairs going back several centuries. But it was not always so industrially-minded as today. Before Germany was split into two after the last war, it was the Berlin stock market that was the most prominent dealer in industrial shares. Frankfurt was more interested in bank and railway stocks than in manufacturing.

If the history of this century had developed differently, and less painfully, Frankfurt's industrial structure would probably look very different. The city would most likely still be the controlling point for the whole German chemical industry, since the mighty IG Farben - then combining the whole German industry - built a vast headquarters there in the late 1920s.

Instead, IG Farben was split up (see below). Also as a result of the war and the uncertain status of Berlin in the late 1940s, AEG - then known as AEG-Telefunken before its financial crisis and near collapse in the early 1980s - shifted its headquarters to Frankfurt. Siemens, the other big electrical concern, moved further south to Munich.

Altogether, the chemical industry in the Rhine-Main area has an annual turnover of some DM25bn, accounting for more than 14 per cent of the total chemical sector. Merck in Darmstadt and Boehringer in Ingelheim are other important chemical companies in the region.

Other key industries in and around Frankfurt are electronics, engineering and foodstuffs. Exports by the 2,800 industrial companies in the Rhine-Main area exceed DM30bn, nearly a third of their total turnover of around DM90bn. Leading the export field is the chemical sector, followed at some distance by engineering, and the electricals and electronics industry.

Foreign companies, notably from the US and Japan, have come to the area in force. Britain's Davy Corporation owns Zimmer, a Frankfurt-based company which specialises in building plants for polymer and fibre manufacture. Showing the emphasis on technology- and science-based activities in the region, a quarter of Zimmer's 500 employees work on research and development - more than in any other Davy operation.

Next to the manufacturing heavyweights is a thriving advertising industry, bigger than those of Duesseldorf or Hamburg. Frankfurt is the advertising capital of Germany, with around 300 agencies employing 10,000 people and accounting for 40 per cent of the country's total billings.

It is also a leading newspaper city, with two major dailies - the severe Frankfurter Allgemeine Zeitung (circulation 340,000) and the more snappy Frankfurter Rundschau (190,000) - and the Frankfurt edition of Bild (225,000), whose stories scream out from the page. A special newspaper, Hurriyet, is produced for the large number of Turkish workers in Germany, while the securities industry has its own, often impenetrable, daily, the Boersenzeitung. Also printed in Frankfurt is the international edition of the Financial Times.

Germany's, and the western world's biggest trade union, IG Metall, has its headquarters in Frankfurt, as do some smaller unions. The associations of the motor, engineering, and electrical industries are also there.

Andrew Fisher

Top industrial companies in Rhine-Main area

Company	Product	Headquarters	Local jobs	Total turnover Dm bn
Hoechst	Chemicals	Frankfurt	28,000	38
Opel	Cars	Ruesselsheim	31,000	15
Degussa	Metals, Chem	Frankfurt	8,700	11
Metallgesell.	Metals, Eng	Frankfurt	5,400	10
AEG	Electricals	Frankfurt	5,500	11
Holzmann	Construction	Frankfurt	1,600	6
C.H. Boehringer	Chemicals	Ingelheim	5,000	4
Linde	Eng, Gases	Wiesbaden	3,700	4
E. Merck	Chemicals	Darmstadt	7,800	3
Heraeus	Metals, Eng	Hanau	6,000	3
Telenorma	Electronics	Frankfurt	7,000	2
Messer Griesheim	Engineering	Frankfurt	2,300	2
Wella	Cosmetics	Darmstadt	1,500	2
Roehm	Chemicals	Darmstadt	3,800	2

Note: Turnover is worldwide. Metallgesellschaft includes Lurgi Engineering subsidiary.

Profile: Hoechst

World's largest in chemicals

IT BEGAN as a small dyeworks, moved into medicines at the turn of the century and later became part of the notorious IG Farben, split up by the allies after the last war. Today, Hoechst is the world's largest chemical company, having just taken a giant stride with the DM2.85bn purchase of Celanese in the US.

In the Frankfurt area, Hoechst is the largest employer, with 28,000 people. It also sponsors Eintracht Frankfurt, the first-league football team. Worldwide, it provides work for over 180,000, has a turnover of some DM40bn, and made pre-tax profits in 1986 of DM3.2bn. Its products include pharmaceuticals, paints, fibres, and plastics.

Its headquarters are in the town of the same name on the north bank of the River Main. Hoechst, which also has an attractive historic section, was incorporated into Frankfurt in 1928, when the company took the town's name. The group began in 1863 as the dye factory of Meister, Lucius und Bruening, later becoming famous for its synthetic dyes.

IG Farben was formed in 1925, though the German chemical industry had been cartelised earlier in the century. Under the Nazis, initially wary of the big industrial group because Jews (later removed) were on its supervisory board, IG Farben became a major economic force. It was the biggest company in Germany and the world's strongest chemical concern. Since it was also involved in some of the worst human abuses during the Third Reich - its top executives were sentenced at Nuremberg - it was divided after 1945 to reduce its power.

The resulting companies became the "big three" of the German chemical industry, the others being Bayer and BASF. It was not long before each was larger than the old IG Farben - the impressive sandy-coloured former headquarters building now houses US forces in Frankfurt.

Today, the big chemical companies tower above many of their international rivals. Hoechst, in which Kuwait Petroleum holds a 24.9 per cent stake, lagged behind its German competitors in the US before buying Celanese, a fibres, plastics and chemicals company. The deal puzzled some analysts. They thought Hoechst was not only paying too much for the US company, but also becoming more involved in commodity fibres, an area from which it had been withdrawing.

The purchase of Celanese added $2.9bn to the $1.7bn sales of its transatlantic subsidiary, American Hoechst. Mr Wolfgang Hilger, the group's 57-year old chairman, said it was "a big step into the future". It would, he added, strengthen Hoechst's long-term profits potential without weakening earnings in the short term.

Also, it would put Hoechst in a much better strategic position in the vast US market, where the costs of setting up new operations are extremely high. Celanese has a strong research thrust in technical fibres and engineering plastics, as well as a sizeable business in polyester fibres.

Like other leading German companies, Hoechst is a big spender. Last year, capital investment totalled DM2.7bn. Another DM2.1bn went on research, much of it into new medical and plant protection products.

Keeping the environment clean is also costly, and the Greens have been loudly critical of the chemical companies as polluters. Pained, the industry has been defensively explaining its pollution record.

Andrew Fisher

Frankfurt airport

High flying business

IF YOU are short of something to do on a rainy day or dull weekend you could take in a feature film (English or German language), prop up a bar, eat some Italian or Chinese food, or just settle for a Big Mac. Or you could dress up for a wild night out at a fashionable disco.

Where in Frankfurt could you do all this plus pick up some last-minute shopping at times when normal stores are shut? The answer is at Frankfurt airport, which claims to have enough facilities to support a town of 100,000 people. There is even a Harrods mini-store, the only one outside London, apart from one afloat the QE2.

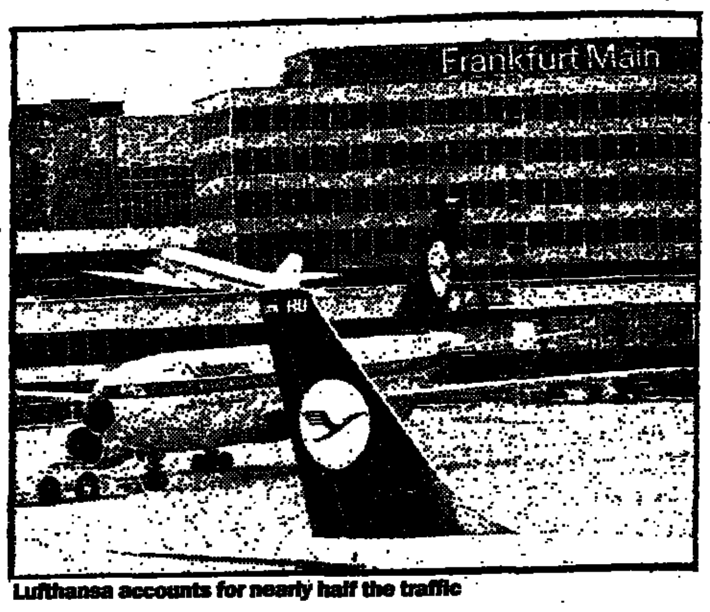
English expatriates, nostalgic for the mixture of news, scandal and sport that makes up the Sunday papers can usually pick them up at the airport. In fact, weekends and holidays are some of the busiest times, not just because of passenger traffic. There is simply so much to see and do. Apart from going to the cinema and shopping, you can have your hair done, play skittles, or buy a lottery ticket. For spiritual rest after all this, you can visit the chapel.

Talking strictly business, however, the airport is not only the busiest in Germany, but also in continental Europe. It is second to London's Heathrow in terms of passengers (and thirteenth in the world), but outdoes it in freight, where it is number three internationally after New York and Los Angeles.

With 41,000 employees, nearly 8,000 working for the airport company itself, it is the biggest job provider in the state of Hesse, ahead of Opel cars and Hoechst chemicals. It accounts for about 5 per cent of the state's economy.

Under its chairman of the last 16 years, Erich Becker, Flughafen Frankfurt Main AG (FAG), the operating company, is run along hard-headed commercial lines. It eschews subsidies, though it is state-owned, with the Federal Government holding 26 per cent of the shares, the state of Hesse 45 per cent, and the city of Frankfurt 29 per cent. Last year, it made a net profit of DM70m on turnover of DM1.1bn.

Up to the end of the century, the airport plans to invest around DM5bn, nearly half on a new terminal to absorb expected passenger growth. It currently handles just over 20m passengers a year, averaging some 55,000 a day and rising to over 85,000 in peak periods. Around the year 2000, traffic should be between 32m and 35m people a year.



Lufthansa accounts for nearly half the traffic

Frankfurt's importance as a centre of transport activities, which employ some 75,000 people overall, stems more from its location than its hinterland, economically significant though this is. Lying strategically on north-south and east-west routes, the city also functions as a key conduit for rail and road traffic.

Its railway station is Germany's busiest, handling 250,000 passengers a day. And the stream of traffic through the Frankfurter Kreuz motorway junction totals more than 220,000 vehicles daily.

The airport can boast its own impressive array of statistics, with 5,000 flights a week going to 200 destinations in 90 countries and operated by 90 scheduled airlines and 170 charter companies. Lufthansa, the German national airline, accounts for nearly half of the airport's business. One in two of Frankfurt's passengers are transferring between airlines, with the airport guaranteeing a changeover time of 45 minutes, faster than any other world terminal of similar size.

While not exactly bursting at the seams, Frankfurt's capacity is seriously stretched. Hence the ambitious investment programme to fit the 51-year old airport for the 1990s and early part of next century. "We have to fulfil our duty," says Becker. "This means we have both to secure our position and also build it up. This is not an egoistic goal of the FAG. We have to consider our task in relation to the Government, the state, and the airport needs of the country."

Becker, 67, came to the airport when it had run into difficulties back in the late 1960s over its ambitious expansion plans. In those days, it handled around 5m passengers a year. Because of the high proportion of transfer passengers, everything was put in one big new DM1bn terminal.

It is part of Becker's commercial concept that the airport should pay its way not just through airline fees, but also through rental and retail concessions. These account for some 20 per cent of turnover, a share which is likely to rise when the new terminal is ready in five years.

Before that, early next year the airport's commercial and shopping facilities will be considerably enhanced by the new DM200m Frankfurt Airport Center. Backed indirectly by Siemens, this complex is aimed at giving the airport an even greater commercial thrust. Service, says Becker, is the key to the airport's success.

Andrew Fisher

Living and working in Frankfurt

The city that always tries hard to please

THE EVENING was warm, the wine was flowing freely, and the traffic-less street was packed with people out for a good time. No, this was not some Mediterranean sunspot, but Frankfurt, a city which may not always impress, but certainly tries hard to please.

In its jolly moods, the city can *be fun. When the stalls selling* Rhine wines are set up near the centre and the weather obliges, Frankfurt's hard commercial edge is softened and business can be forgotten.

But never for very long. For this is first and foremost a place which deals in money and output. Outsiders come for work rather than enjoyment. Though there are good museums, concert halls, theatres and art galleries, and the surrounding countryside is stunning, Frankfurt stands primarily for commerce and finance.

Even the city's own 1987 Sales Guide calls it, with admirable honesty, "too successful for love at first sight," but then argues that Frankfurt is ready to earn visitors' sympathy. Robert S. Kane, the pithy American travel writer, sub-headed a chapter on Frankfurt, "Substance sans Style." The difficulty for the short-term explorer, he wrote, "is cutting through the prosaic to find the plums."

The business traveller, however, should not find it too hard to make headway. Frankfurt, being small though at the centre of a large commercial region, is easy to get around, with practically everything reachable on foot, by taxi, or by suburban and underground train. There are plenty of good hotels and restaurants, serving anything from light snacks or fashionably light food to heavy German pork, potato, and sauerkraut dishes.

Entering and leaving Frankfurt is no problem, either. Its airport is the busiest on the Continent, with quick connections within and beyond Germany. Geographically, the city is central, so trains and autobahn are often a better option for less distant destinations.

It used to be said, in the days when it was more usual to disparage Frankfurt, that the best thing about the city was that it was easy to leave. Nowadays, there is less of a compulsion to escape. Frankfurt has been smartened up. There are more trees along streets and in parks, more pedestrian areas, and some attractive modern buildings to offset the drabness of the earlier post-war ones.

South of the River Main lie both culture and entertainment, the former of a high standard in the shape of the riverbank row of museums, the latter seedy and loud in the bar, pub and disco area of Sachenhausen. Here, the hamburger - Big Mac is prominent - kebab and pizza restaurants vie with German Gasthaeuser (inns) and bars (beer and wine) for the custom of the crowds. For locals, and visitors who must at least try it, there is Apfelwein (apple wine, or strong cider). There are plenty of cheap and cheerful cider restaurants in what Kane calls "this tacky-touristy district," as well as some fine jazz bars.

Far more tacky, but much less innocent, are the streets of Frankfurt's red light district around the Kaiserstrasse. Lying between the main station, with some smart hotels nearby, and the banking area, the Kaiserstrasse presents the crude sight of hard porn cinemas and sex shops to bemused visitors who stroll rather than ride into town. It has some good restaurants, though, including the best Chinese food in Frankfurt. Soon the area should be very different, as the image-conscious city authorities have given the sex purveyors notice to quit.

On the tasteful side, Frankfurt has other offerings beside culture and entertainment. It has a wonderful tropical gardens (Palmengartern) with dazzling new glass and steel pavilions, a zoo that is certainly worth a visit, excellent cafes with sumptuous cakes, and a vast area of city-owned forest to the south. It contains the house of Goethe's birth (rebuilt after World War II), an imposing red sandstone Gothic cathedral, and a reconstructed mediaeval square (Roemerberg), which has a lively Christmas market, with toys, decorations, and plenty of Gluehwein.

Outside Frankfurt, the countryside is beautiful. Nestling in the picturesque Taunus hills are delightful small historic towns like Kronberg, Koenigstein and Bad Homburg, where rich bankers tend to live. Not too far away are Wiesbaden, a spa city with a coolly sophisticated, turn-of-the-century elegance, and Mainz, which has kept much of its jostling middle-aged charm and character, despite the ravages of war. Mainz, the city of Johannes Gutenberg, inventor of modern printing, has a museum with one of his 530-year-old bibles, as well as a colourful weekend market in the lee of its cathedral.

Darmstadt, the home of Jugendstil, and Aschaffenburg, with its impressive castle, are also a short distance from Frankfurt. So is the Rhine, with its picture-book villages and postcard views. With Frankfurt roughly in the middle, the Rhine-Main area is certainly varied enough to cater for most tastes. It is still an advantage that a quick exit can be made from the city, yet this is as much because of what other places have to offer as in reaction to Frankfurt's own lack of glamour.

Andrew Fisher

Business traveller's guide

USEFUL INFORMATION

Public holidays. January 1, Easter Friday and Monday, May 1, Ascension Day, Whit Monday, Corpus Christi, June 17, Repentance Day, December 25 and 26.

Chamber of Commerce (Industrie-und Handelskammer). Boersenplatz 8-10, tel 21971.

Frankfurt Tourist Association (Verkehrsverein). Gutleutstrasse 7-9. 2123676. Information offices on main station, opp. platform 23 (tel 2128849-51), and in Hauptwache Passage (tel 2128708-9).

German National Tourist Board. Beethovenstrasse 69, tel 75720.

Changing money. At banks and savings banks Mon-Wed 8.30am-1pm and 2.30pm-4pm, Thursday until 5.30pm, Friday 3.30pm. City centre banks mostly open through lunchtime. At main post offices in city and airport and big department stores. Deutsche Verkehrs-Kredit Bank at station and airport and main bank branches at airport all open longer hours. Hotels will also change money.

Tipping. Service is included in all bills in Germany. But rounding up of sum is common, at discretion.

Taxis. Meter price is final price, though can also round up. Charges similar to most big European cities. If none available, call 230001, 250001, 230033, 545011.

From airport into city. By taxi: roughly 10 minutes, cost about DM30. By S-bahn (suburban train): 11 minutes to station (running every 10 minutes), 15 minutes to Hauptwache in centre (every 20 minutes), cost DM3.10.

Public transport. S-bahn and U-bahn (underground) provide excellent connections within Frankfurt and wide (c 40km radius) area beyond, including Wiesbaden, Mainz, Darmstadt, Hanau and Bad Homburg. Fine, if caught without ticket: DM40. Information FVV (local transport body), Mannheimer Strasse 15-19, tel 269462-63.

Telephones. Frankfurt dialling code within Germany is 069. Local calls cost 20 pfennigs (two 10 pfennig coins). For other calls within country, usually DM1 or DM5 coins also needed. To call Frankfurt from abroad, code is 004969. For information, dial 1188 (national), 00118 (international). Operator 010 (for calls in Germany), 0010 (abroad).

Shopping hours. Shops open Monday-Friday 9am-6.30pm, Saturday 9am-2pm except first Saturday of month (9am-6pm).

Post offices. Open 24 hours a day at main station and airport. Main post office, Zeil 108, open 8am-6pm, Saturday 8am-12am, tel 2111.

Lufthansa (German national airline). Information (6am-11pm), tel 6902111.

HOTELS

Frankfurt is not big, and much can be done on foot. However, all these hotels also have taxi stands outside.

● **Deluxe.**

Frankfurter Hof, Kaiserplatz, Tel 20251, Tlx 411806. The city's flagship, very centrally located for both business and shopping. Also regular venue for company presentations and events. Many visitors find it ideal, though some complain of impersonality owing to its size. One section currently being converted to form new executive wing. Part of the Steigenberger chain.

Hessischer Hof, 40 Friedrich Ebert Anlgae, Tel 75400, Tlx 41176. As glitzy as the Frankfurter Hof, but appreciably smaller, giving it more charm. Location on the western edge of the city centre a drawback, except for those going to the fair - which it faces - or to offices in the West End.

● **Four star**

Intercontinental, 43 Wilhelm Leuschner Strasse, Tel 230561, Tlx 413639. Unappealing concrete pile (with smaller annex across the road), a large international hotel, notable principally for its almost total lack of character. Dreary location between the railway station and city centre. But higher south-facing rooms have attractive views over the Main, Sachsenhausen and beyond. Also ample parking, *not guaranteed elsewhere.*

Canadian Pacific Frankfurt Plaza, 2 Hamburger Allee, Tel 79550, Tlx 416745. A 44-storey contender for the tallest hotel in the world. Rooms start on the 28th floor. Super views, but atmosphere functional at best. Slightly north of the city centre by the university, but perfect for the Fair.

Park, 36 Wiesenhuettenplatz, Tel 26970, Tlx 412808. Stylish old hotel marred by an unsightly new extension. Location on the fringe of the red-light district near the railway station should offend none but the squeamish, but families may think twice. Part of the Moevenpick chain; food said to be good.

Holiday Inn, 1 Mailaender Strasse, Tel 68020, Tlx 411805. On the edge of Sachsenhausen, south of the river Main. A 26-storey tower offering slighly more economical prices and attractive views in return for the less-than-ideal location.

● **At the airport**

Staying here seems popular not just for travellers, but for some businessmen too, given the rapid spurt in office development opposite the terminals.

Sheraton, 15 Hugo Eckener Ring, Tel 69770, Tlx 4189294. Expensive, despite - or because of - the location; travellers can literally wheel their baggage trolleys from the airside gate almost to reception without stepping outdoors. Bit soulless.

Steigenberger Airport Hotel, 16 Unterschweinstiege Tel 69851, Tlx 413112. Slightly less convenient than the Sheraton, involving a short drive. The compensation is that it's cheaper.

● **Outskirts**

Two deluxe hotels, one to the north and one to the south of Frankfurt, should be mentioned. Public transport available, but limited, so best suited for the mobile.

Schlosshotel Kronberg, 25 Hainstrasse, Tel (06173) 7011, Tlx 415424. (In Kronberg, 12 miles north-west of Frankfurt). Huge mock Tudor pile, built in 1889 and the home for years of Empress Victoria, mother of Kaiser Bill. Blazing log fires, wood panelling and flunkeys in evening dress, the hotel has an atmosphere unique in Frankfurt. Could be convenient for those doing business with the many foreign multinationals based north of the city in the Taunus. Ask about the accommodation *before registering*, if possible, as rooms said to vary from the poky to the palatial.

Gravenbruch Kempinski, Gravenbruch, Tel (06102) 5050, Tlx 417673. (In Neu-Isenburg, 7 miles south of Frankfurt). Almost, but not quite, a southern mirror-image of the Schlosshotel to the north. Similar chateau-like quality, without the history. Again, best for the mobile.

RESTAURANTS

Frankfurt is no foodie's paradise, but there are some reasonable places to eat. Wholesome German places or stateless bistros can often be a better bet than pricey French for those not desperate to impress. Good Italians abound.

● **French and expensive**

Humperdinck, 95 Grueneburgweg. Tel 722122. Someone has yet to pay for my dinner here, so comments on the food must be restricted to the fact that it's one of only two places in town with a Michelin rosette (the other is the French restaurant in the Frankfurter Hof).

Erno's Bistro, 15 Liebigstrasse. Tel 721997. Small, but used to be the obligatory place for the fashionable set.

Le Midi, 47 Liebigstrasse. Tel 721438. Engaging family-run restaurant with Japanese chef.

Charlot, 10 Opernplatz. Tel 287007. *Relatively* recent French restaurant in town centre just by the Alte Oper.

● **Italian**

Florian, 59 Kettenhofweg. Tel 722891. Trendy steel and spotlight place in the West End, busy at both lunch and dinner.

La Galleria, 2 Theaterplatz. Tel 235680. Good up-market Italian beneath the Bank fuer Gemeinwirtschaft tower in the heart of the city.

● **Bistros**

Moevenpick, 2 Opernplatz. Tel 20680. Multi-restaurant complex *in the heart of town* with tasty and good value food.

Opera Cafe, 10 Opernplatz. Tel 285260. Well-located next to Charlot by the Alte Oper and with attractive turn-of-century decor. Wide choice of food by style and price.

Die Leiter, 11 Kaiserhofstrasse. Tel 292121. Just off the pedestrianised Fressgass, *this* is somewhere to see and be seen, especially under its large awning in the summer.

● **Chinese**

Tse Yang, 67 Kaiserstrasse. Tel 232541-2. The only really good Chinese in Frankfurt, part of a smart, small European chain.

LOCAL FOOD

Dozens of places in the city centre offer acceptable local fare. Apart from sausages and - of course - Frankfurters, local specialities include dishes with 'gruene Sauce" (green sauce), made from a variety of local herbs and said to be a favourite of Goethe's.

The intrepid should definitely go to Sachsenhausen and try Apfelwein (apple wine), a very dry local cider. Most of the Apfelwein pubs also provide a range of huge, simple and cheap dishes - basically pork - either with sauerkraut or boiled potatoes. Arguably Frankfurt at its best, the custom of sharing tables often prompts conversation with strangers - not necessarily typical of the city.

The two best Apfelwein pubs are both some distance from the now very commercialised and rather seedy heart of "Old Sachsenhausen."

Zum Gemalten Haus, 67 Schweizer Strasse. Tel 614559. One of the biggest and best known pubs, with colourful wall paintings.

Adolf Wagner, 71 Schweizer Strasse. Tel 622565. Almost next door, this is smaller and attracts a slightly higher-class clientele. Food hard to distinguish between the two, but portions here are a shade smaller.

● **Bars**

Jimmy's Bar, at the Hessicher Hof, is well-known for its barman, Andre. The bars at the Park Hotel and Frankfurter Hof are also well-patronised.

Those just wanting a quick drink after work should try:

Fidelio, 1-3 Bockenheimer Landstrasse. A cellar wine bar which is very hard to find but worth the effort. Deserted on a fine summer's evening, the place is usually packed with Frankfurt's version of yuppie after-office tipplers at other times.

Rob Roy, in the Moevenpick complex, is particularly popular with expatriates, especially after work on Fridays.

Eins Zwei, 48 Hochstrasse, open until very late, is very popular with the younger wealthy set, as the cars parked along the pavement outside usually show.

● **Disco's and night clubs**

Not my strongest suit, unfortunately, but the top names are:

Dorian Gray, at the airport, used to be the busiest disco in Germany, and is still extremely popular by all accounts.

Le Jardin, 6 Kaiserhofstrasse, is an up-market venue in the centre of town.

Vogue, 14 Junghofstrasse.

Uno Nightcafe, 9 Biebergasse.

OTHER USEFUL ADDRESSES

Tourist information offices, Hauptbahnhof. Tel 2128849; Hauptwache. Tel 2128709.

● **Travel agents**

American Express, 5 Steinweg. Tel 21051.

Thomas Cook, 11 Kaiserstrasse. Tel 13470.

Wagons Lits, Hauptbahnhof. Tel 234201.

Deutsches Reisebuero, Hauptbahnhof. 230911. Also at Frankfurt Airport, terminal B arrivals area. Tel 693071.

● **Airlines**

Lufthansa, 2 Am Hauptbahnhof. *Tel 2300621. Airport 6961.*

British Airways, 2 Poststrasse. Tel 250121.

British Caledonian, 23 Rossmarkt. Tel 290371

Pan American, 12 Am Hauptbahnhof. Tel 26560

Air France, 19 Kaiserstrasse. Tel 230501

Swissair, 6 Am Hauptbahnhof. Tel 26026.

KLM, 2 Schillerstrasse. Tel 290401.

TWA, 2 Hamburger Allee. Tel 770601.

American Airlines, 26 Wiesenhuettenplatz. Tel 230591.

Haig Simonian

Haig Simonian takes a personal look at culture in the city

Letting hair down in a sober way

CLAUDIO ABBADO barely had time to step off the platform earlier this month before Ricardo Muti and the Philadelphia Orchestra took his place. And their seats had hardly cooled before Leonard Bernstein and the Vienna Philharmonic *waltzed in.*

September is touring orchestra time in Europe, and Frankfurt is a major venue. Even its earnest money people need to let their hair down sometimes, although they usually go about it in a pretty sober way.

Frankfurt's beautifully-restored Alte Oper (Old Opera House) *is where many of its* musical culturati head. Its main hall is not just the venue for touring mega-orchestras, but also for Frankfurt's own, slightly less distinguished, band. The building also houses two smaller halls for chamber music and recitals.

Unfortunately, the harmony now being heard at the Alte Oper does not echo across the few hundred yards to the city's main theatre and opera house, built in the late 1950s, where Mr Michael Gielen, Frankfurt's leading director and conductor, has finally hung up his baton after 10 years in charge.

Some are desperately disappointed. Mr Gielen made a name for himself - and the town - with his innovative and highly distinctive productions, and they wonder how that reputation can be maintained.

But those of us with less patience for the black polo neck and harsh white backdrop school of opera production are rather relieved, though we tend not to broadcast it. Mr Gielen's last production, Wagner's Ring Cycle, was deservedly well received, and he has always been noted for his fine musicology.

But some of his other efforts, notably those with Ms Ruth Berghaus, the East German producer, were much harder work. A prize should go to whoever can explain why large portions of Mozarts "Die Entfuehrung aus dem Serail" should be set in a gently undulating rectangular box. And spraying what one assumes to be poison gas over the entombed lovers in the closing scene of Aida takes idiosyncracy to an extreme.

Thankfully, Frankfurt's museums are less contentious, and the city has plenty of them. Reflecting what seems to be a competitve drive between German cities at the moment for *museum building, the "Museum* Ufer" - the south bank of the River Main - is devoted to a string of them.

I prefer the film museum, not so much for its contents - it is tiny - as for the fact that it shows classic films in their original language. Despite the linguistic accomplishments of many Germans, foreign *films here* are usually dubbed. As only a handful of actors do the dubbing, it doesn't take long to realise that last week's James Bond is this week's JR and probably next week's popular hero.

However, Frankfurt has a special draw for English-speaking film- goers. Unlike most German cities, at least one central cinema shows the latest US or UK movie in English. And the really desperate can always make the short trek to the small three-screen cinema at the airport, which also shows first-run films in English, albeit on microscopic screens.

Many will be relieved to know that the musical beat in Frankfurt is not just classical. The city has one of Germany's liveliest jazz scenes. Clubs abound, both in the centre and in Sachsenhausen, the popular, and rather seedy, entertainment area just across the river from the town centre.

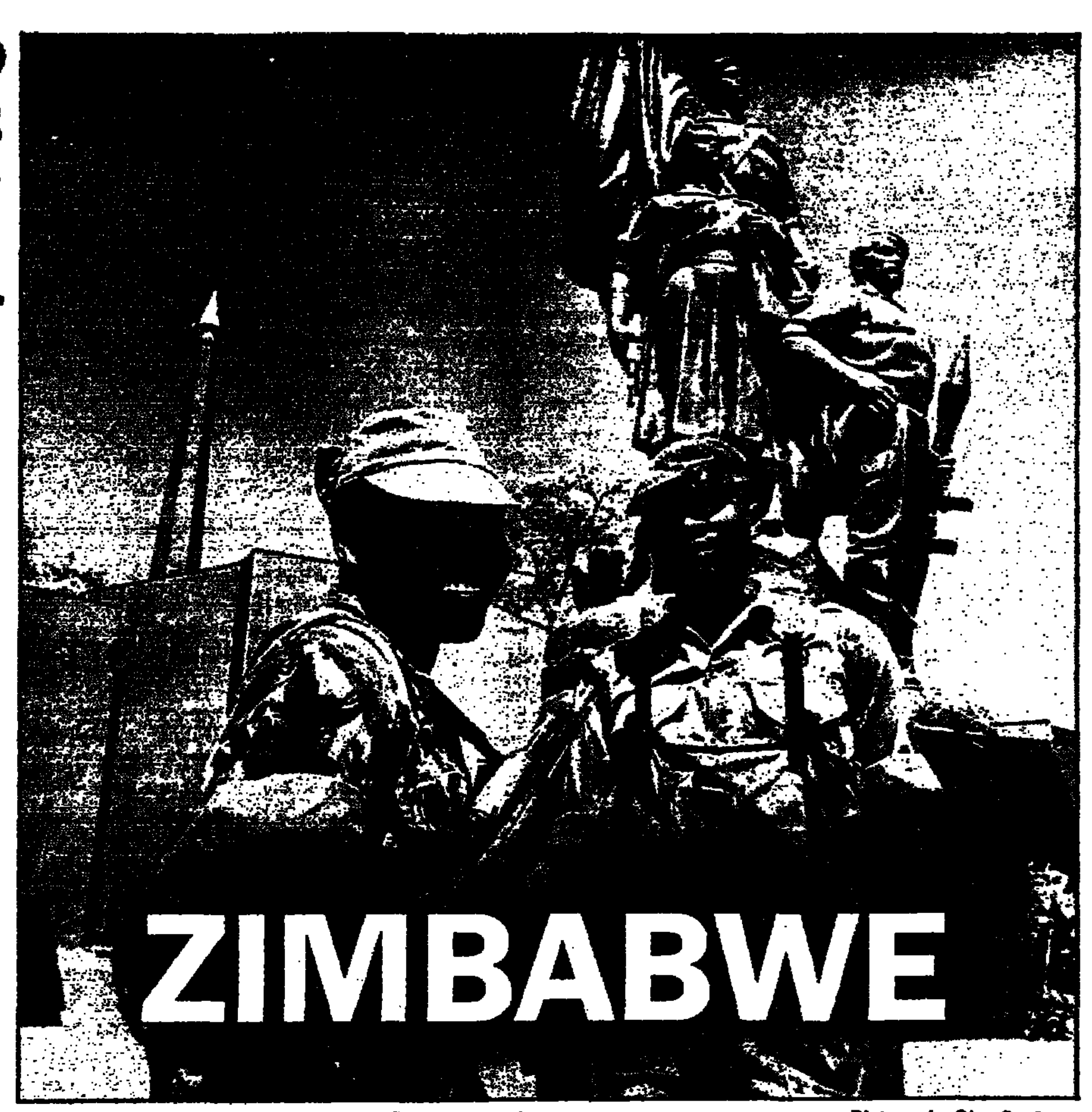
They say Frankfurt *has* good avant-garde theatre - I have not found it. But art lovers are well served. There is a good-ish municipal gallery, with some attractive twentieth-century German expressionist works. Max Beckmann actually painted and taught here for 18 years before going back to Berlin in 1937 and eventually to the US.

Lastly, the ethnology museum, also on the "South Bank" is a must. Not for the exhibits, which I have never seen but which are no doubt full of merit, but for its very attractive cafe, which has some of the best cakes in town.

SECTION IV

FINANCIAL TIMES SURVEY

The Government of Mr Robert Mugabe has made considerable progress since independence in 1980 but faces two big challenges. The economy is in difficulties, exacerbated by drought, and is paying a high price for its defence of vital routes through Mozambique, writes **Michael Holman**.



Zimbabwean troops guarding Heroes' Acre the national monument

Pictures by Glyn Genin

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Challenges to be faced

SOME SEVEN years after his overwhelming electoral victory which marked the beginning of Zimbabwe's independence, Prime Minister Robert Mugabe is facing a daunting combination of economic and security challenges.

On the economic front, the government is slowly having to accept the fact that the boom years of the early 1980s are unlikely to return.

Aid flows are falling after the post-independence bonanza, and world prices for Zimbabwe's commodities have slumped or are stagnant. The initial boost in agricultural and industrial output owed much to the end of the war:since then most foreign investors have been deterred by the government's socialist aims and the inadequate rate of return.

Zimbabwe is now living beyond its means, a fact that will be underlined as the worst drought for decade takes its toll.

On the security front there is tension in two areas. Zimbabwe is steadily being drawn into the war in neighbouring Mozambique, where its troops are defending the strategic corridor of rail, road and oil links to the eastern seaboard port of Beira, an outlet which is vital to Zimbabwe's efforts to reduce trade and transport links with South Africa.

In the South West province of Matabeleland, skirmishes continue with a shadowy dissident group responsible for the killings since independence of nearly 60 white farmers (essential to the province's cattle ranching economy), and for the deaths of many more peasant farmers and their families.

Looming over Zimbabwe is the destabilising presence of South Africa. Implicated with the rebels in Mozambique and suspected of links with the Matabeleland dissidents, a frequent target of Mr Mugabe's condemnation, Pretoria is ready to retaliate with trade and transport weapons should Zimbabwe succumb to the temptation to apply selective economic sanctions against its white-ruled neighbour.

The stresses and strains that these problems create are still outweighed, however, by the government's catalogue of achievements. The stable transition from war-torn Rhodesia (where 30,000 or more people died in the guerilla war against the government of Mr Ian Smith) to an independent Zimbabwe in which whites suffered no recriminations (and continue to be represented in government) stands out as one of the most extraordinary developments in post-colonial Africa. Indeed,the abolition last month of the 20 white seats in the 100 member assembly was regretted by few of the country's 100 000 strong minority.

Some other successes are less obvious to the casual visitor. Many of the resented and harmful features of white rule were to be found in the countryside: inequitable spending on black schools and clinics, on agricultural extension services and on roads serving black farmers, all reinforced by the racially demarcated ownership of land.

Under the government of Mr Mugabe and the ruling Zanu (PF) party something approaching a transformation of the rural areas is getting under way.School enrolment has shot up from under 900,000 in 1979 to nearly three million today, with many of the new schools being built in the countryside. Peasant farmers' output has soared,in part because of the end of the war, but also as a result of better services and readier access to loans. Their production has contributed to a maize stockpile which will enable Zimbabwe to feed itself despite the drought, and still have a surplus for export.

There are other,disquieting, statistics, however.The overwhelming majority of school leavers - 147. 000 this year - will not find a salaried job in the formal sector, where employment has stuck at around one million for the past decade.The frustrations of unemployed youngsters with four and even six years of secondary education will be considerable.

The government's resettlement programme, designed to place families on formerly white-owned land, has fallen far short of the target of 160,000. families to be moved by the mid 1980s. Barely 40,000 families have been shifted.

This does not keep pace with the country's population growth of 3 per cent a year, let alone ease existing pressures. Rising unemployment and growing land pressure combine to present the government with one of its most pressing problems.

Prospects for the economy offer little relief.Indeed, many firms, hit by falling foreign exchange allocations, are retrenching. In his budget appraisal of Zimbabwe's economic performance, Dr Bernard Chidzero, the minister of finance, anticipated zero GDP growth this year and many economists anticipate a 3 per cent decline, partly because of the drought.

The drought, however, is only one of several economic problems, some of which are deep rooted. A high price is being paid for the expansion in social services and the heavy defence bill (14 percent of the 1987-8 budget). The budget deficit - including the cost of unfunded subsidies - has been climbing over recent years to 13.3 percent for 1987-8.

Inflation is running at around 15 per cent. Servicing of the country's external debt will take up around 32 per cent of export earnings this year.

The tight foreign exchange position (import allocations in real terms are only 40 percent of peak 1982 levels),have left much of the country's industrial and manufacturing sector in no position to replace ageing plant and equipment.

There is a growing body of opinion which says that government needs to implement some difficult decisions as part of what would amount to a far reaching economic reform programme. So far there is little evidence that government is prepared to implement what would be electorally unpopular measures and run counter to Zanu (PF)'s socialist dogma. Yet, there is no evidence either of a clear alternative strategy.

There is, says one leading businessman, a sense of drift, compounded by weak management and irregular practices in many of the country's state owned corporations. Three reports on the largest of these - Air Zimbabwe, the National Railways, and the Zimbabwe Iron and Steel Corporation - amounted to an indictment both of their management and of the ministries which have the ultimate responsibility.

At the same time, there are increasing signs of corruption involving senior officials and government ministers. Many Zimbabweans believe that abuse of public office is spreading, a concern shared by Mr Mugabe, who recently denounced corrupt officials and politicians as 'socialist deviants' guilty of 'daylight robbery'.

There are comparatively few examples of leading culprits being brought to book, however.

It may be that Mr Mugabe himself is largely preoccupied by security problems on the eastern border with Mozambique and in Matabeleland and parts of the central Midlands province.

Zimbabwe has committed several thousand troops to the defence of the Beira corridor for understandable strategic reasons, but Mr Mugabe has indicated that he feels a greater resposibility still to the government of Mozambique,which provided him with a reliable rear base during the guerilla war in Rhodesia.

Last October he promised that Zimbabwe would fight to the last man in defence of the Mozambique government against the South African backed Mozambique National Resistance (MNR).It prompted the rebels to declare war on Zimbabwe, in addition to continuing their attempts to sabotage the corridor.

While this threat may be largely bombast, recent attacks on eastern border villages and tea estates are a matter of concern.

Nor has the government been able to resolve the security problem in Matabeleland,where only last week six people were killed in an ambush by the rebels. Part of the answer, some government officials believe, lies in winning the hearts and minds of the people of the province, stronghold of Mr Joshua Nkomo's Zapu party, by working for the unification with Zanu (PF) on terms which include a share of seats on the Zanu(PF) polibtburo,central committee and in cabinet.

Several rounds of negotiations have so far proved fruitless, and many observers believe that even if there were an agreement it might not be enough to end the conflict.

Mr Mugabe can argue that at the heart of his security concern is South Africa. But his search for a strategy that goes beyond denunciation of apartheid and achieves a direct influence on Pretoria has been unsuccessful

Public commitments on his part to selected economic sanctions by Zimbabwe against the republic have to date come to nothing in the face of lobbying by a deeply cocerned business community which has pointed out some blunt facts.

About 8 per cent of Zimbabwe's trade goes on the Southern route and last year South Africa supplied 21 per cent of Zimbabwe's imports, and was a market for 10 per cent of the country's exports. Clearly the scope for South African retaliation is potentially disastrous.

The probability,however,is that tensions and antagonisms in the Southern African region will heighten. The challenge that faces Mr Mugabe is how to cope with a troublesome neighbour and at the same time address himself to some fundamental economic issues.

ZIMBABWE 2

Economy

New strategy sought as growth slows

AFTER SEVEN years of independence during which economic performance has fallen short of the overly-optimistic expectations held in 1980, a change in policy emphasis - if not of direction - is clearly indicated. Indeed, there are some signs that the technocrats in the Government, including finance minister Bernard Chidzero accept the need for a measure of gradual economic liberalisation, though this is constrained by precoccupation with day-to-day crisis management, as well as a curious combinationof policy conservatism and ideological opposition to opening up the economy.

In 1980/1 real gross domestic product grew 23 per cent fuelled by an increase of more than 80 per cent in imports between 1979 and 1982. At the time it was confidently assumed that the combination of improved terms of trade, rapid export growth and substantial aid and foreign investment inflows would be adequate to sustain such import levels.

But these expectations were disappointed. Net private capital inflows since 1980 have been negligible - less than Z$30m. Exports volumes have grown at a mere three per cent annually while the terms of trade reflect little more than the depreciation of the Zimbabwe dollar. Aid inflows totalled US$1.7bn between 1980 and 1985, but have since slowed.

In this situation, both the economic and import booms proved shortlived. The brakes went on with a vengeance in 1982 since when real GDP has been growing at less than one per cent annually and real per capita incomes falling by more than two per cent a year. Import volumes fell by more than a third between 1982 and 1985 and investment and employment have deteriorated in turn. The US$1.7bn aid inflows sustained high levels of public sector spending but the slowdown has exacerbated the balance of payments problem.

On current account the balance of payments deteriorated dramatically from a deficit of Z$156m in 1980 to Z$533m in 1982. Heavy foreign borrowings in the immediate post-independence period contributed substantially to this deficit with public sector interest payments abroad rising from a mere Z$6m in 1980 to Z$167m in 1984. But by 1986, currency devaluation, export incentives, severe cutbacks in import quotas, the tightening of exchange controls - in respect of profit and dividend remittances - and restrictive monetary polices had turned the balance of payments around and a small current account surplus was achieved.

However, external balance has been achieved only at the cost of severe internal imbalance reflected in sluggish growth, falling investment and escalating unemployment. Last year, investment - at constant prices - was at its lowest level since 1979 and since independence it has been 10 per cent lower than in the final seven years of economic sanctions during the 1970s.

But the unemployment crisis is the most serious manifestation of the failure of economic policy. The phenomenal expansion of the education system - the number of children in schcools trebled to 2.8 million between 1979 and 1986 - is now showing up in huge increases in the number of schoolleavers with four, and even six, years of secondary education. These have increased from a mere 30,000 in 1983 to 147,000 this year and 330,000 by 1991. At the same time employment is stagnating.

There are no more people in jobs today than at the peak of the Ian Smith sanctions boom in 1975 when 1,050,000 workers were employed in the formal economy. Unemployment is estimated to have risen from 12 per cent in 1984 to a forecast 18 per cent this year and 25 per cent by the early 1990s.

After the temporary 1985 agriculture-led recovery, economic growth has slowed to a crawl. Real GDP increased fractionally last year and is forecast to fall by at least three per cent in 1987 while real per capita incomes this year will be at their lowest since 1979 and 17 per cent below their 1974 peak.

In this situation it is hardly surprising that the policymakers should now be casting around for a new strategy. Their deliberations are complicated by the high dependence of economic growth on the public sector since 1980.

Virtually half the increase in GDP has emanated in the public sector and about a quarter has occurred within education itself. This has only been possible because public spending has grown far more rapidly than the economy, rising from about a third of GDP in 1980 to almost half this year.

As a result, the budget deficit has averaged more than ten pct of GDP over the last five years and if unfunded subsidies (that is, subsidies carried forward to future budgets) are added into the deficit, it will approximate 13 per cent this year.

This serious internal imbalance - in the form of excessive domestic spending - is the source both of persistent pressure on the balance of payments and on prices. In an attempt to counteract these influences, the authorities have imposed a price and wage freeze, reduced import allocations and cut back profit and dividend remittances (to 25 per cent of after-tax profits in the case of foreign-owned firms, other than those who have invested in Zimbabwe since September 1979).

It is a classic example of one set of distortions giving rise to increased controls and regulations which in turn generate their own distortions.

The budget deficit has its origins in the high levels of spending on debt-service (22 per cent of the total budget), education (15 per cent), defence (14 per cent) and subsidies (11 per cent). Because there is precious little scope under existing conditions to cut spending on education, defence and debt-service, subsidies offer the most promising avenue to progress, albeit one that is temporarily closed because of the wage and price freeze.

The main subsidies are to agriculture, the steel industry, and the state-owned railways and airline. Subsidy reduction involves both significant improvements in public sector management, on the one hand, and some unpopular political decisions in the form of higher food prices and charges for services on the other.

Deficit reduction is an urgent priority on four main counts. First, the longer it persists the greater the domestic debt-service problem will become. Central government debt - foreign as well as domestic - has risen from 57 per cent of GDP in 1980 to 72 per cent this year and if short term government borrowings are included it exceeds 80 per cent.

Government borrowings are currently costing 14 per cent in the local market which means that the current year's Z$1bn deficit will add Z$140m to next year's budget in the form of interest costs.

Secondly, the budget deficit is inherently inflationary though - to date - the authorities have been remarkably successful in financing it by non-bank borrowing. In 1987/8 however, Dr Chidzero is projecting Z$385m of bank overdraft borrowing to fund the deficit which is bound to be seriously inflationary.

Thirdly, a sustained improvement in the balance of payments simply will not be possible as long as the deficit remains at these levels and finally, it is a crucial obstacle to securing the trade promotion loan that has been under negotiation with the World Bank for two years now.

Given this background of a stagnant economy and unhealthy dependence on deficit-financed growth an economic reform package is essential. However, both within government and in some parts of the private sector calls for economic liberalisation are anathema.

While agriculture and mining - which provide upwards of 85 per cent of foreign exchange - support trade and payments liberalisation, manufacturing industry is far more cautious, reflecting fears of competition from imports and de-industrialisation if import controls, which have dominated the economy for 22 years, were to be lifted over a relatively short time-span.

Industry says it favours gradual liberalisation which tends to be the government line as well.

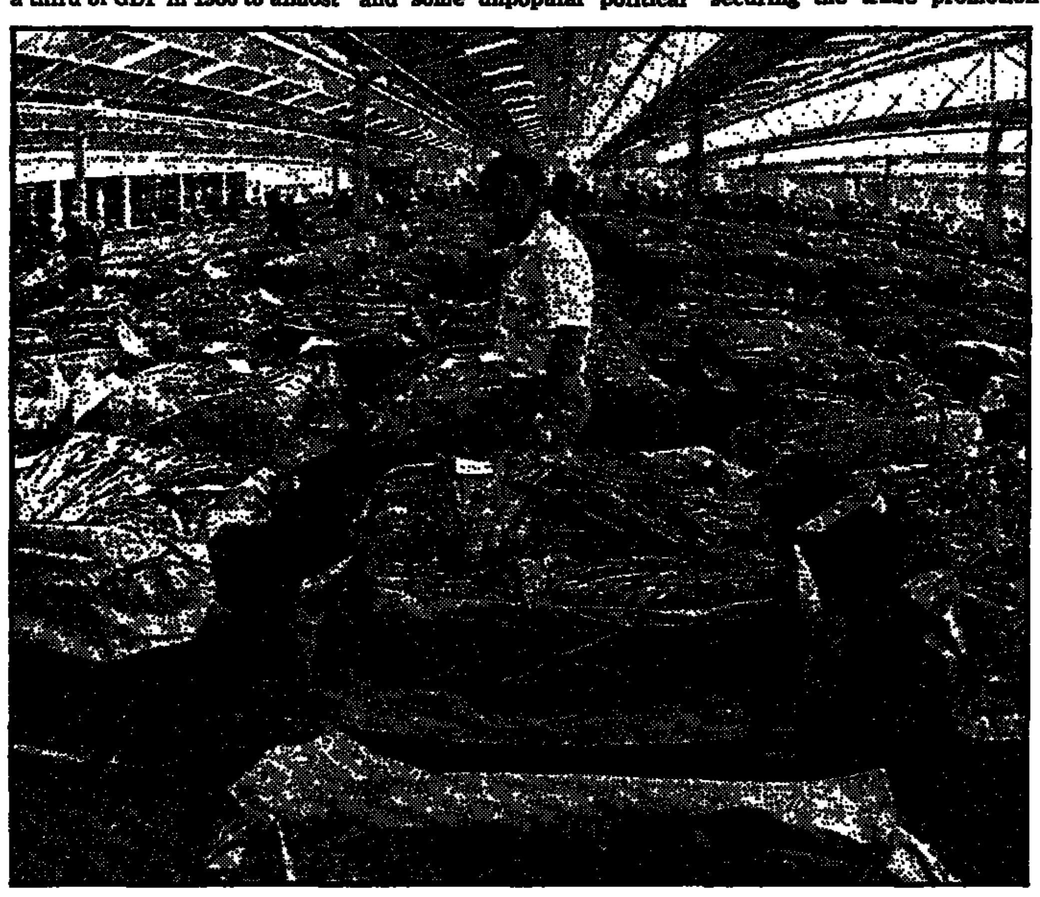
There is opposition too from the idealogy within the ruling party who see reform as a threat to central planning and state controls, while even the technocrats who favour cautious liberalisation worry that policymakers will lose control over key macro-economic instruments unless the process is very closely controlled.

The central elements of a reform package would encompass the gradual phasing out of import controls and their replacement with a uniform tariffs structure and some depreciation of the currency - of the order of at least 20 per cent and possibly as much as one third though not necessarily in a single stage. It would also need a substantial reduction in the budget deficit, allied with restructuring of management, and pricing and investment policies within the parastatal sector as well as changes designed to eradicate existing bias against investment, exporting and against job-creation in the economy.

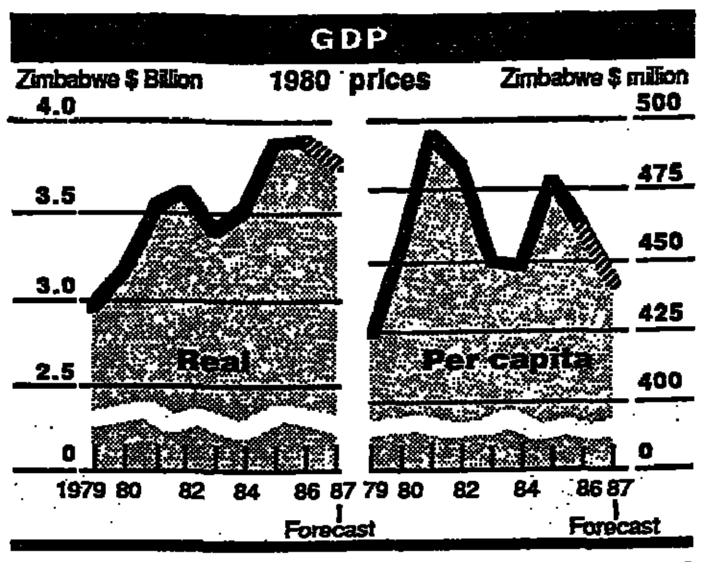
If the Australian and New Zealand models are any guide, opening up the economy is perfectly compatible with socialism. In Zimbabwe's case, the risks of continuing import compression with its attendant decline in real living standards, high inflation, falling real wages, declining investment and growing unemployment would seem to outweigh easily those of a growth with-adjustment strategy.

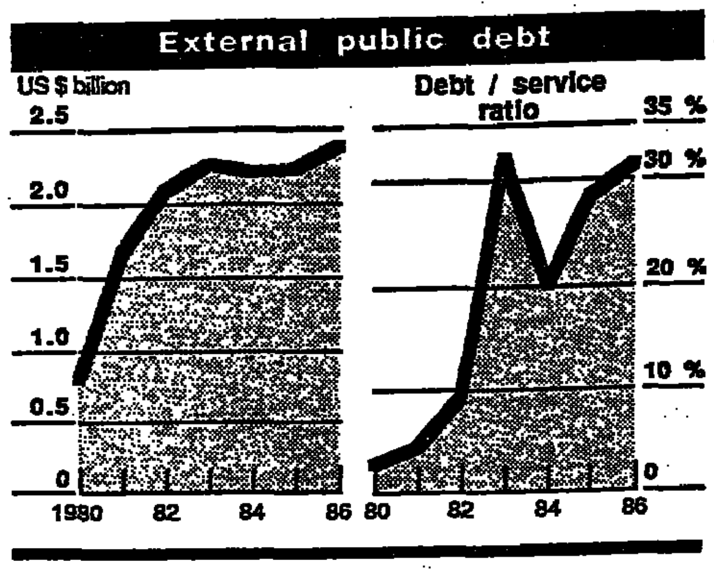
But it is difficult to convince those policymakers and vested interests - in the manufacturing sector for instance - that they stand to gain, especially since the ideology of liberalisation is at loggerheads with that of centralised control.

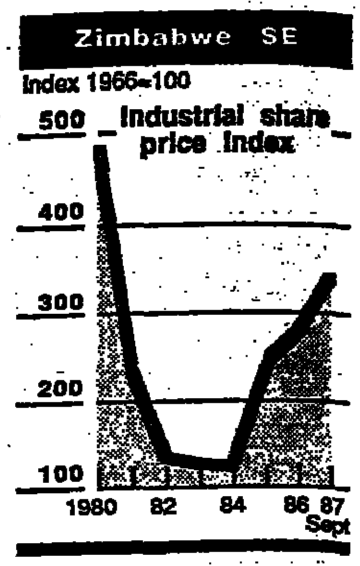
Tony Hawkins



Tobacco is a valuable export: bales are open for inspection







Money supply and banking

Borrowing stays high

THE ANNOUNCEMENT of four rights issues on the Zimbabwe Stock Exchange that will raise a total of Z$18m marks a welcome return of new issue activity to the capital market after a prolonged period of inactivity. The one obvious exception to this is the Government's heavy local market borrowing programme which raised Z$687m in the year to June 1987 with a further Z$524m of new stock to be issued in the 1987/8 fiscal year.

This pattern of heavy government borrowing with very limited private sector activity is evident in the banking industry as well. Private sector loan demand has been flat for the last three years, though there is mounting concern about the burden of farm debt the banks are carrying following the severe drought. Public sector borrowing by central government itself and the parastatals has risen steeply with the Government's bank overdraft forecast to double in the year to June 1988.

The impact of public sector borrowing is apparent in the money supply figures which reflect 14 per cent growth rate. Money supply expansion of this magnitude, at a time when real output is expected to fall by at least three per cent, is clearly inflationary and with the Government expected to borrow Z$385m on bank overdraft in the current year - equivalent to a 20 per cent increase in the money supply - the signs are that inflation will accelerate.

On the other side of the ledger, the authorities are seeking to control inflation through the price and wage freeze and this is likely to suppress - rather than cure - the problem over the next six months. In the first half of the year, inflation was running at 13 per cent, little different from the post-independence trend rate of 14.5. But the statistics are becoming increasingly less reliable as more transactions are driven underground and sellers seek to circumvent the price control regulations. Furthermore, there is a wide gap between consumer inflation and the rate of cost increases in agriculture and industry which is substantially higher.

Retail price inflation is expected to slow somewhat in the final quarter of 1987, but will still remain in double figures. The authorities have promised to review the wage freeze in the new year and the pressures for a substantial general wage increase in mid-1988 - of at least 15 per cent can be expected to intensify. It is likely therefore that any respite from inflation will be shortlived as public sector borrowing and the relaxation of the freeze result in sharply higher inflation of the order of 17 to 18 per cent in the second half of 1988.

Interest rate levels do not reflect either actual or expected inflation. Deposit rates at the banks and building societies are well below the inflation rate with the banks paying 11 per cent for three-year money. The authorities argue that negative real savings rates do not discourage savings and point to the doubling in savings held by financial institutions between 1981 and 1986 when they reached Z$3.1bn. However, when adjusted for inflation, real savings declined slightly.

Given the volume of so-called surplus funds (funds owned by foreign firms but not available for repatriation) and the fact that Z$1bn of savings are siphoned into the budget deficit each year, savings levels are almost certainly inadequate and more realistic interest rate levels are required.

This was underlined early this month when the Zimbabwe Government's Z$100m 25-year loan on a coupon of 14.2 per cent relied heavily on public sector subscriptions from the Post Office Savings Bank and the central bank itself which took up almost 70 per cent of the stock. Institutional investors say that an interest rate below the trendline inflation rate for 25-year money is simply unrealistic and it seems probable that the authorities will have to bite the bullet and increase long-term rates next year.

After fluctuating in a narrow band around the 9.5 per cent level in the second half of 1986, the 90-day NCD rates rose sharply to reach 13 per cent in March. In recent months the rate has fallen back to the 9.5 per cent level and is forecast to remain in this vicinity for the rest of the year with the budget deficit sustaining high levels of liquidity.

A feature of the past three years has been the strong recovery in share prices after hitting a 18-year low in 1984. At that time, market capitalisation stood at Z$227m and the average dividend yield was 21 per cent. The industrials share price index came perilously close to falling below its 1966 base level of 100 having peaked at a record high of 487 in January 1981.

Since then, share prices have more than trebled and the index currently stands at 340, while the market capitalisation is Z$850m and average yields approximately 11.5 per cent. This reflects a strong profit performance by companies and the increasingly serious shortage of scrip, resulting in share price inflation as too much money chases too few shares.

The current spate of rights offers may help mop up excess market liquidity but government purchases of majority control of listed companies - as in the case of Delta Corporation - is having the opposite effect and withdrawing scrip from the market.

Profit growth will slow over the next year and as dividend yields fall below the psychologically-significant 10 per cent level, share prices are likely to flatten out. A return to the peak levels of early 1981 looks to be a long way away.

Tony Hawkins

Balance of payments

Z$m.	1987*	1986	1985
Exports	2400	2210	1855
Imports	1800	1680	1555
Trade surplus	600	530	300
Invisible (Net)	−650	−500	−446
Current account	−50	+30	−146
Capital (Net)	−150	+45	+350
Overall balance	−200	+75	+204

*Forecast

Despite internal differences Prime Minister Robert Mugabe remains pre-eminent

Politics

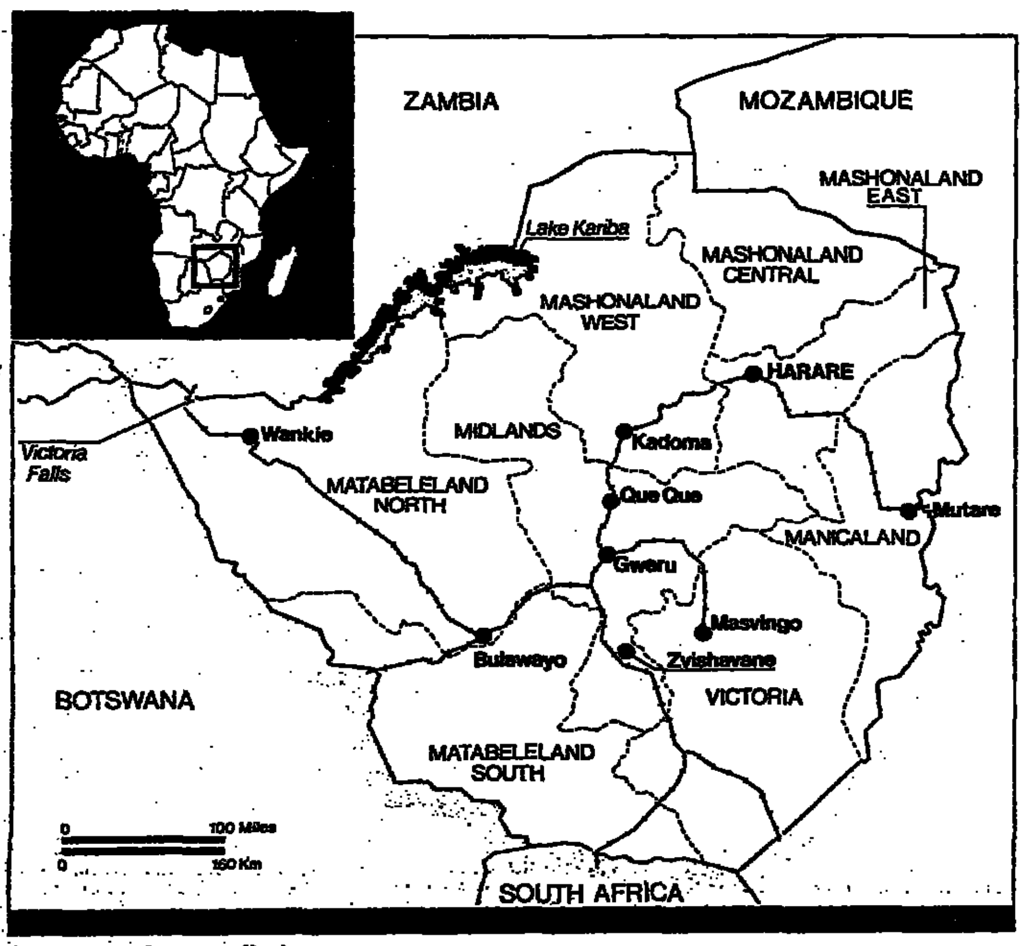
Unification hard to achieve

THE GOAL OF Mr Robert Mugabe of creating a one-party state by negotiation is proving elusive.

Last month the ruling Zanu (PF) appeared on the brink of signing an agreement with Mr Joshua Nkomo's Zapu party which would have brought the two parties together as the renamed Zanu-Patriotic front led by Mr Mugabe but with two vice presidents, one of whom would have been Mr Nkomo. Places would also have been allocated to former Zapu members on an enlarged politburo (6 out of 21 seats) and the expanded central committee (giving ex-Zapu supporters between a quarter and a third of the seats. The more sensitive issue of cabinet portfolios was still under negotiation.

In theory at least, a division which goes back to the 1960s, broadly demarcated by Shona allegience to Zanu-PF and Ndebele loyalty to Zapu, would have been healed.

The most important benefit, according to proponents of unity, would be a marked decline in the security problems posed in the provinces of Matabeleland (and to a much lesser extent, the Midlands) by former Zapu guerillas. These bandits (or dissidents, as they are known) are held responsible for the deaths of nearly 60 white farmers in the provinces since independence in 1980 - far more than the number who died in the area during the war against white rule.



But at the last minute Zanu (PF) withdrew from the agreement for reasons which continue to be unclear. One popular theory is based on the rivalry of two Shona clans, the Zezuru who comprise just under one fifth of Zimbabwe's nine million people, and the Karanga, who make up a little over one fifth.

Between them they dominate the Party's 15-member central committee (6 Zezuru, including Mr Mugabe himself, and 5 Karanga) and the 27-strong Cabinet (9 places each).

Such is the rivalry, or so the theory goes, that the Karanga - who have traditionally enjoyed better relations with the Ndebele - would form an alliance with former Zapu politicians once the unity agreement had been enacted, and thus reduce the influence of the Zezurus. It was this prospect, according to some commentators, which led some senior Zezuru politicians to oppose the unity formula.

The convenience of the theory (applied to other issues as well) is that it allows outsiders a plausible basis on which to intepret the often Byzantine nature of Zimbabwe politics. It may not, however, be a totally adequate explanation of why the protracted unity talks have failed.

Equally important may be the fear of some Zanu (PF) politicians that they may lose their place in the hierarchy in a merged party structure, and with it the perks and patronage that are increasingly important. Further, some former Zapu members who have already switched loyalties and hold ministerial office are none too enthusiastic about being joined by their erstwhile colleagues.

Whether Mr Mugabe will achieve his aim of an amicable merger remains uncertain. One of the major stumbling blocks was removed last December when Mr Dumiso Dabengwa, a former commander in Zapu's guerilla army which was disbanded at independence, and potential successor to the 70-year-old Mr Nkomo, was released from detention.

Yet the degree of bitterness towards Zanu (PF) in Matabeleland remains considerable. It is fuelled by memories of brutal army campaigns against the dissidents in 1983 and 1984 in which at least 1,000 civilians died and many more were maltreated.

The suspicion remains that most senior Zanu (PF) figures have little enthusiasm for a reconciliation with Zapu which, to be effective, would require not only an equitable allocation of portfolios but a commitment to greater spending on development in Matabeleland.

In the meantime the banditry is likely to continue and the province provides a recruiting ground should South Africa - already strongly suspected of supporting the dissidents - attempt to add to Mr Mugabe's problems by fanning insurrection in Zimbabwe's south-western province.

Mr Mugabe has had more success, however, in his search for Zanu (PF) hegemony in the campaign against the bloc of 20 white MPs in the 100-seat National Assembly who had been elected by barely 30,000 white voters.

Resentment against the white bloc, entrenched for seven years under the Lancaster House constitution, peaked at the 1985 General Election, when the conservative alliance of Mr Ian Smith, the unrepentant former prime minister, won 15 of the 20 seats at stake.

An irate Mr Mugabe, who interpreted the outcome as a reject ion of his policy of reconciliation between the races, threatened at the time to override the constitution and abolish the seats. He stayed his hand, however, and the provision ran its course until the formal abolition of the white bloc last month. The 20 MPs and the 10 white Senators in the 40-seat Upper House will be replaced by members elected by the 80 black MPs who are expected to choose several whites to represent the minority community.

Of greater long-term significance are other constitutional changes the Goverment has in mind. Mr Eddison Zvobgo, the minister of justice, legal and parliamentary affairs, has said that the plan is to introduce an executive presidency (a change likely to take place within a few months), abolish the Senate, and create an unicameral parliament. The last two changes will wait until 1990, when the Lancaster House constitution can be scrapped.

In the meantime, the negotiations for the unification of the two parties will continue, preparing the way for a de facto if not dejure one party state. Whether such a system will be to the liking of a majority of Zimbabweans remains to be seen. Although Zanu(PF) won a resounding victory at the 1985 election (64 of the 80 black seats) the party's popularity may well have declined.

Rising unemployment, double figure inflation which has left real earnings below pre-independence levels, concern over growing corruption and unease at the Government's often authoritarian stance, has probably eroded some of the support that the party enjoyed.

Within Zapu (PF) itself there are some signs of divisions and tensions. These include the demotion of the outspoken Mr Edgar Tekere, former chairman of the Manicaland province branch of the party who has criticised the Government, the removal of Mr Zvobgo, chairman of the party in Masvingo province, and controversy over Dr Herdet Ushewokunze, th transport minister, who came under attack after two critical reports of his handling of the state-owned Air Zimbabwe and the Nationasl Railways.

Mr Mugabe himself, however, remains pre-eminent and whatever internal differences there may be, the grip of Zanu (PF) on the country looks like tightening. Certainly under the new constitution there will be no serious challenge at the ballot box to its authority.

Michael Holman

Foreign affairs

Boxed in on sanctions stance

IT HAS BEEN a mixed year on the foreign affairs front for Mr Robert Mugabe, Zimbabwe's prime minister.

On the one hand, he has assumed a more prominent place on the world stage following Zimbabwe's hosting last September of the non-aligned movement summit, and his subsequent appointment as the organisation's head.

But Mr Mugabe has had difficulty evolving a practical policy towards South Africa, threatening to apply a package of economic sanctions against the republic, but stepping down after the local business community pointed out the potentially disastrous consequences.

The non-aligned movement summit gave Mr Mugabe an opportunity to express his views on a wide range of issues: the difficulties developing countries are having in meeting their external debt commitments, international nuclear disarmament, and tensions in the Middle East. However, it is a subject much closer to home that dominates the concerns of Mr Mugabe and his Government.

Relations with South Africa and the republic's role in the region - notably its involvement in the war in neighbouring Mozambique - are critical both to Zimbabwe's economy and security, as events of recent months have underlined.

For some time it has seemed that Mr Mugabe was building up a head of steam which was leading him in one direction: the imposition of selective sanctions against Pretoria despite the consequences for the domestic economy and the near inevitability that South Africa would retaliate by applying sanctions of its own, notably a curb on Zimbabwe's use of the Southern road and rail links which carry some 80 per cent of the country's trade, while the republic is the source of 22 per cent of Harare's imports.

The clearest indication came last August on his return from the Commonwealth mini-summit on South Africa which was held in London. Mr Mugabe said that Zimbabwe was prepared to impose the package of selective measures drawn up at the meeting which included severance of air links, and a ban on imports of steel and coke. The refusal of Mrs Margaret Thatcher, the British prime minister, to commit Britain to these measures stemmed from her government's 'racist' attitudes, declared Mr Mugabe, who went on to say that Zimbabwe was prepared to make sacrifices: "If we have to eat sadza (maize meal) without stew, we will do it."

Ironically, shortly before the London summit Zimbabwe and South Africa had renegotiated their three-year old preferential trade agreement, but days before the opening of the non-aligned movement's summit Mr Mugabe announced that the agreement was going to be scrapped: "The decision to implement sanctions will override the trade agreeement."

It was becoming clear, however, that Mr Mugabe was isolated from his Southern African neighbours: Mozambique and Botswana made it clear that they could not afford to implement sanctions, Kenya was reluctant to end its lucrative air links with South Africa, and President Kenneth Kaunda of Zambia - who like Mr Mugabe had committed himself to sanctions - was having second thoughts.

By the middle of this year the prospects of sanctions seemed to have receded, but in July a stunned business community were told that trade sanctions were indeed going to be imposed and import licences were not valid for South African purchases. After vigorous lobbying the decision was rescinded, with Mr Mugabe having apparently suffered a rebuff.

Whether this episode marks the end of what one observer called 'a fiasco' is uncertain. In the meantime, Mr Mugabe has to deal indirectly with South Africa on the security front: the growing war in Mozambique into which Zimbabwe has been drawn.

The rebels of the Mozambique National Resistance (MNR) were originally encouraged and trained by the white Rhodesian Government. At Zimbabwe's independence in 1980 South Africa took over this role, and the MNR now poses a serious threat to the Government of President Joaquim Chissano.

Among the rebel targets is the so-called Beira corridor containing the vital road, rail and oil link between Zimbabwe's border town of Mutare and the port of Beira. The corridor is essential to Zimbabwe's efforts to reduce trade and transport links with South Africa, and several thousand of Mr Mugabe's troops are protecting the facility.

Last October the Prime Minister declared that Zimbabwe would "fight to the last man" to prevent a rebel takeover in the Maputo, a pledge which prompted the rebels formally to declare war on Zimbabwe, threatening to hit military and economic targets across the border.

It now appears that the rebels are putting the threat into effect, robbing stores, attacking tea estates, and killing civilians. Whether these developments are in fact part of a considered strategy is not clear, but they are adding to the Government's security problems which are not confined to the eastern border.

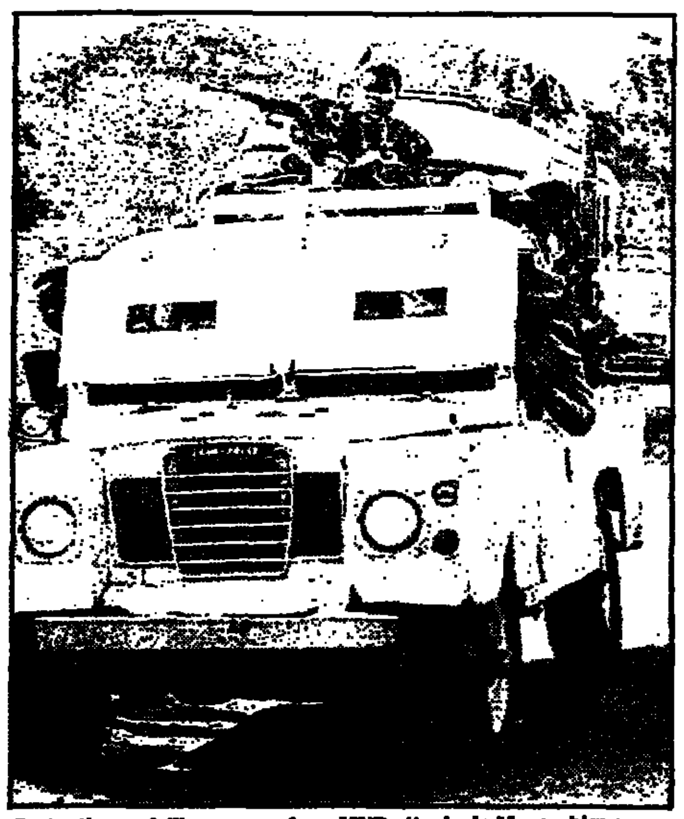
Mr Mugabe suspects that South Africa is also involved in the skirmishing in the south west province of Matabeleland, where former guerillas once loyal to Mr Joshua Nkomo the leader of Zapu, have killed nearly 60 white farmers since 1980 and murdered many more black civilians.

Recent reports suggest that the 'dissidents', as they are known, are stepping up their activity and although western diplomats in Harare put their strength at no more than 300, they none the less have the capacity to disrupt and demoralise the province.

Perhaps the most practical form of assistance to Zimbabwe in the face of these problems has come from Britain, which provided a military advisory and training team at independence to help train and integrate the guerilla and regular forces of the new national army. Today over 40 British military advisers continue a training programme, not only of Zimbabweans but also, since 1986, of junior officers from the Mozambican army at Nyanga on the eastern border with Mozambique.

Relations with the United States have not been so cordial. The US suspended its aid programme last year after a Zimbabwe minister harangued guests at a July 4 Independence Day gathering about the shortcomings of President Reagan's policies towards South Africa. While contacts have since become more cordial, the programme remains suspended.

Michael Holman



Protecting a civilian convoy from MNR attacks in Mozambique where Zimbabwe has been drawn into the escalating war

The FT safari: trekking on wheels

Game parks

Wild life in all its splendour

A GREAT many travel brochures offer the tourist the holiday of a lifetime but how many, I *wonder*, actually come anywhere near to fulfilling their promise?

Last month, 15 intrepid FT readers and I, aided by travel organisers Abercrombie and Kent and two of Africa's topmost professional *guides*, completed the second Finanical Times safari. If you are a tourist in Zimbabwe and know where to go - and above all have the right people to guide you - a unique experience awaits you.

I can say this since I was not the safari's inspiration -Lucia van der Post, editor of the Weekend FT's How to Spend It page, helped to conceive it and accompanied the first FT safari last year. But this year's group agreed with last year's: there is no doubt that Zimbabwe can offer the holiday that will linger in the memory.

This year's safari, like last year's, centred round three of the country's *six great national* game parks - Hwange, the biggest, which borders the Kalahari; Chizarira, one of the wildest parks in Africa; and Mana Pools, among the most beautiful.

Our tour began in Harare, with a night at Meikles Hotel: (still as good as ever) and then we flew to the magnificent (and to my taste now too popular) *Victoria* Falls. *From there* came the real safari as we stayed in tented, unfenced camps and tracked on foot big and small game, watched a multitude of birds and drove and walked through some of Africa's most rugged and remote countryside before, finally, canoeing down the great Zambezi river.

Our trip was led by Alan Elliott, a fourth generation Zimbabwean of great charm and deep experience of the African bush. Alan's colleague guide was Alistair Chambers, a young man able to convey enthusiasm for Zimbabwe's natural world of animals, flowers and trees.

The group itelf came from far and *wide - New Mexico, Philadelphia*, Trinidad , Spain, Switzerland, Ireland and Britain. We started strangers and ended up friends and each now treasure memories that will probably always be with us.

There was, for example, the high excitement of tracking elephant on foot through bush, tension mounting sharply as Alan Elliott, rifle on shoulder, *stopped and beckoned us on by* turns through the crackling undergrowth. Suddenly, heavy feet pounded. "Run back to those trees. They're stampeding! " Alan *shouted* as we all -including the three grandmothers in the party - turned and fled to safety with a speed that surprised us all. Later Alan admitted that he 'bad vibes' in the thick bush, though in retrospect he reckoned the elephants - which we never saw - were charging nearby rhino, not us.

Then there was our first night on the Zambezi, at Rukomechi camp. When we'd gone to bed, the grunts of the hippos and the mutterings of baboons in the *thorn trees above us masked*, for all but the ears of Alan and Alistair, the sounds of four adult *lions* preying on waterbuck not 200 yards from our huts. Our guides roused most of the group, who then spent an enthralling hour watching the lions devour the hapless animal.

But there were quieter moments too. The evening walks *across the ochre plains of* Hwange, when we suddenly stopped to listen for a browsing animal or grazing herd. Or just riding through the open grassland, wind in your hair, sun in your face and only a group of giraffe or *distant* herd of buffalo to interrupt your view of the quintessential Africa.

Or there was the early morning walk along a bubbling stream in Chizarira, the gentleness contrasting with the crueller sun and desolate and burned country of the long drive the day before. In a few hundred yards we counted 22 species of birds, from the scarlet-chested sun bird to the lilac-breasted roller, *the green pigeon and the malachite* kingfisher.

Later, canoes drifting with the current down the huge Zambezi river, we watched an elephant family cross to a sandbank, hippos cavort and myriads of carmine bee-eaters glitter against the declining sun.

With both our guides, divided into small groups we tracked and trailed *game on foot* and by Land Rover, and from seeing very little in the dusty Kalahari sand at first, we later learned to plot the elephant's path, distinguish between the big cats and know what had walked ahead of what, and when. The two men made us see things we'd never seen before - and made us see, too, that the divide between the human and the animal kingdoms is much less sharp than our western minds suppose.

Special skills were drawn on. Walking British hills was put to good use by clambering through a wild gorge near the Zambezi escarpment, while our gastroenterologist professor collected, labelled and photographed the remarkable variety of the bush yielded, for the later ednucation of his students.

And all of us loved the impromptu nature talks from Alistair Chambers, who has a knack of bringing alive the personality and quirks of the animals of the bush. One day as we sat tensely watching a huge herd of elephant move through the thick bush he whispered to us of the life and times of that great creature, ending with clinical details of itssex life.

There were many things in our two week safari that we did not do, which a tourist in Zimbabwe with more time, or *different inclinations, could* accomplish. We did not see the sombrely magnificent, mysterious stone ruins of Great Zimbabwe, nor visit the eastern highlands to fish in cool streams or go climbing on smooth rocks. Neither did we see anything of the Matapos Hills, where Cecil Rhodes is buried, nor of the rich farmland which the descendants of his pioneers helped establish (and which today means that the tourist enjoys a wonderful variety of fruit and vegetables and dairy products unrivalled in Africa.

Information on how you could enjoy some of these delights is found in the adjoining panel. *If* you are envious of our particular trip, write to Lucia van der Post, or to me, and we will see whether we can get a third FT safari underway, next year.

Bridget Bloom

Major exports

in million Zimbabwe dollars

Item	1980 Rank	1980 Value	1986 Rank	1986 Value
Tobacco	1	122·3	1	424
Gold	2	115·2	2	413
Ferrochrome	3	88·1	3	210·1
Asbestos	4	80·1	7	82·7
Steel	5	72·7	8	72·5
Cotton	6	58·1	4	132·8
Nickel	7	52·8	6	83·1
Sugar	8	47·4	10	63·1
Maize	-	10·6	5	91·1
Coffee	-	6·9	9	66·2

Balance of payment problems are hampering the growth of exports

Investment held up by debt servicing costs

ZIMBABWE'S BALANCE of payments difficulties are explained by the *combination of* slow export growth, a high debt-service ratio and negligible foreign investment inflows. Export performance *has* been weak, partly reflecting four drought years, world recession and depressed *commodity* prices but also the failure of exports of manufactured goods to break into export markets.

Indeed, while exports of manufactured goods have more than doubled since 1980, their share had fallen from almost 20 per cent to less than 14 per cent last year, when 10 primary or semi-processed products - including steel and ferrochrome - accounted for 80 per cent of total *exports*

While exports have been growing at 17 per cent annually (by value) since 1979, this has already reflected currency depreciation and higher world market prices, and volumes have expanded only three per cent each year. Measures to boost exports have included the export incentive scheme - which applies only to exports of manufactures - and an active exchange rate policy which devalued the Zimbabwe dollar by 45 per cent from its peak in late 1982 to its current levels. Estimates of the real effective exchange rate for the Zimbabwe currency suggest that it *has depreciated more than* 20 per cent in the past five years.

Currency depreciation allied with swingeing cuts in import allocations have generated a strong and growing trade surplus which reached Z$530m last year compared with a deficit of Z$114m in 1982.

Despite this, the balance of payments position remains under acute strain reflecting the substantial deficit on invisibles which reached Z$500m last year virtually wiping out the entire trade surplus. Interest payments on official debt are estimated to be costing some Z$340m annually - by far the largest componentin the invisibles *deficit. Zimbabwe* borrowed heavily abroad in the immediate post- independence years partly to finance re-equipment *in the public sector but also for* balance of payments purposes. As a result, public foreign debt *has* increased nearly *four-fold* from US$667m in 1979 to US$2.4bn last year. Over the same period the debt service ra*tio* rose *from less than* one per cent in 1979 to an estimated 33 per cent this year. Since 1983, the authorities have followed a very cautious foreign debt policy, and Zimbabwe will be over the hump in capital repayments by 1990 by which time the debt service ratio drops to the 20 per cent level

With debt-service currently absorbing more than 30 per cent of export earnings, severe *import compression* has been necessary accompanied by tight exchange controls. In May this year, the Government announced a new ceiling on foreign dividend and profit remittances of 25 per cent of after-tax profits. *At the* same time, positive measures were announced to encourage foreign-owned firms to reinvest in Zimbabwe rather than repatriate their earnings. It is too early to judge whether these are having a marked impact other than in the obvious field of investment in bricks and mortar. Indeed, a disconcerting aspect of Zimbabwe's foreign investment profile has been the recent trends *towards disinvestment* by foreign companies. This was only to be expected from some South African-owned organisations, but British and US-owned businesses have also been considering divesting, though the scale of capital outflows remains very modest.

Official figures show net private sector long-term capital inflows totalling only Z$20m with net outflows being reported for the last three years. The reluctance of foreigners to invest is explained partly by the regional geopolitical situation, partly by the country's disappointing overall economic performance but also by official attitudes towards *private foreign* investment. In a recent parliamentary statement, Prime Minister Mugabe observed - surprisingly in *the light of* recent international trends - that he preferred foreign borrowing to *foreign* investment, while a senior government official said that there were very few products and processes that Zimbabwe could not provide for *itself*, and that therefore foreign investment was unnecessary.

Given the high ratios of foreign ownership in manufacturing (at least 55 per cent) and mining (more than 80 per cent), such attitudes are hardly surprising, but they underscore the fact that foreign capital inflows are unlikely to ease substantially Zimbabwe's balance of payments position over the next few years.

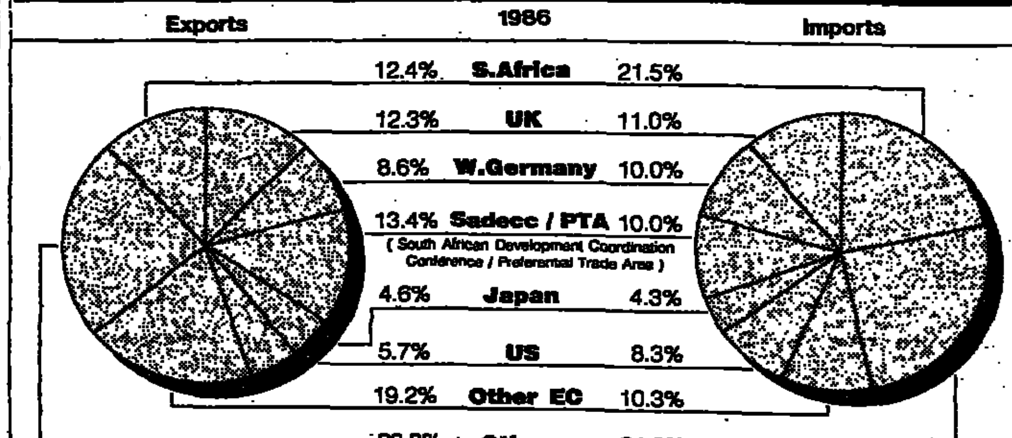
Some deterioration in the balance of payments seems likely this year reflecting debt-service outflows (repayments as well as interest) of an estimated Z$850m alongside slower export growth. *Last year* exports were boosted by a rundown in gold stocks, but this cannot be repeated in 1987. While officials hope that with debt-service obligations peaking over the next 18 months, the worst is past on the balance of payments front, the reality could be rather different for two reasons.

First, the mid-year sanctions scare when Zimbabwe went to the brink over trade sanctions *against Pretoria, is likely to* result in lower exports to South African and an accelerated diversification of sources of supply. South Africa, with 15 per cent of the total is Zimbabwe's main trading partner and trade with Pretoria will affect adversely export values and import prices and cost.

Secondly, it is increasingly evident that the import- repression strategy is penalising exports. Export orders are being lost because exporters do not have the necessary raw materials or spares or the railways do not have the capacity because their locomotives are off the rails awaiting imported spares.

Tony Hawkins

Exports and imports



Exports	1986	Imports
12.4%	S.Africa	21.5%
12.3%	UK	11.0%
8.6%	W.Germany	10.0%
13.4%	Sadecc / PTA (South African Development Coordination Conference / Preferential Trade Area)	10.0%
4.6%	Japan	4.3%
5.7%	US	8.3%
19.2%	Other EC	10.3%
23.8%	Others	24.6%

Manufacturing industry

Expansion hit by monetary constraints

ALTHOUGH manufacturing industry has contributed about one third of Zimbabwe's economic growth since independence, almost all of this was achieved in 1980/81 since when it has stagnated. Manufacturing value-added (MVA) jumped 27 per cent in the first two years of independence but in the subsequent six years it has expanded less than one per cent, running out of steam as the foreign exchange constraint tightened.

In 1980, manufacturing industry seemed poised to boom after battling to survive through five years of falling import allocations and stagnant domestic demand. At that time, Zimbabwe's manufacturing sector was second only to that of Nigeria in sub-Saharan Africa (excluding South Africa) accounting for some 4.5 per cent of regional industrial production.

Rapid industrial growth in the early years of independence was fuelled by buoyant domestic demand and a 60 per cent increase in real import allocations. But the economic crunch in 1982 brought about by drought and world recession resulted in sharp reductions in import allocations which by the first half of 1987 were running at no more than 30 per cent of their peak 1981 levels. Although the import dependence of Zimbabwe industry is very low by African standards - about 25 per cent of inputs are imported - industrial growth slowed to a trickle, employment declined and capacity utilisation rates fell in the wake of import compression of this magnitude.

It is quite clear that manufacturing industry will not regain its earlier momentum unless or until real import allocations are increased substantially. It is estimated that manufactured exports generate sufficient foreign exchange to finance some 70 per cent of the sector's import requirements.

While this is an exceptionally high ratio for a developing economy, this statistic masks two very real problems. The first is that in an unregulated situation industrial imports would be substantially higher reducing the ratio to below 50 per cent. The second is that one of the consequences of inadequate import allocations - aside from falling capacity utilisation and shortages - is a very low level of industrial investment and a consequential alarming deterioration in the quality of the capital stock.

Data on the age of the capital stock are hard to come by, but a World Bank study found that in textiles, the vast majority of equipment was more than ten years old, while one-quarter of the weaving industry's equipment was at least 20 years old. In the steel industry, one of the two blast furnaces was built in 1961.

A further indication of an ageing capital stock is the decline in new and replacement investment. In the mid-1980s, manufacturing investment was less than half its peak 1974 levels, again reflecting the foreign currency crisis, since it is calculated that about 70 per cent of any industrial investment project represents foreign exchange inputs.

Given the difficult international environment for primary product export growth, it is increasingly acknowledged that Zimbabwe's industrial sector must look outwards and itself generate the foreign exchange necessary to finance the considerably higher levels of imports that are essential if manufacturing is to achieve a satisfactory growth path. The logic of the argument is that obvious and easy import substitution opportunities were exhausted during the sanctions period and, in fact, upwards of 90 per cent of industrial growth over the past 20 years has been domestically-oriented. Only about 10 per cent of industrial output is exported - down from 20 per cent in the mid-1960s.

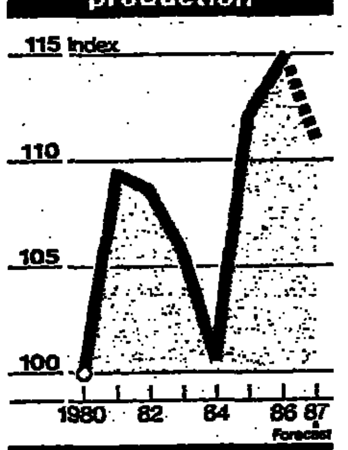
Since industrial exports have been a lagging sector and since industry desperately needs foreign currency, export-biased growth is essential. But whether this is achievable is problematical, given stagnant regional markets, the probability of a sharp decline in export sales to South Africa - which takes some 25 per cent of total manufactured exports.

Zimbabwe policymakers are being urged by the World Bank to liberalise existing import controls as a condition for a new export promotion loan, an expansion of the bank's existing export-revolving fund loan. While both the Government and industry favour import liberalisation, both sides are warning that it must be a planned and measured process and that there can be no overnight 'dash for economic freedom'. The two sides warn too of the possibility of de-industrialisation if liberalisation is too rapid, but the World Bank estimates that about two-thirds of Zimbabwe industry is broadly competitive by international standards and this, allied with a judicious tariff policy, would ensure that few industries would go to the wall.

With the recent South African sanctions scare likely to erode trade between the two countries, the need to find new export markets for the spectre of continuing stagnation in the mining sector, apart from gold and ferrochrome, and rapid unemployment growth underlines the need for a bold and imaginative industrial strategy.

Anthony Hawkins

Manufacturing production



'Mazowe Red' irons being made in Harare

The Beira Corridor

Port's key role grows

EVERY MORNING as dawn breaks in Mozambique gangs of railway workers set out to inspect the night's damage to the 314-km Beira corridor linking Zimbabwe to the sea.

They could discover unexploded landmines waiting for the day's passing freight trains, and about twice a week they will find that rebels of the Mozambique National Resistance have succeeded in sneaking past Zimbabwean troops to blow up the track. The railway authorities say proudly that they can usually fix the line in half an hour. Occasionally the guerrillas will destroy a bridge, and that can mean a 48-hour repair job.

Despite the attacks on the railway, and on the road and the fuel pipeline running alongside it through central Mozambique, Zimbabwe is gradually increasing its use of the port of Beira and reducing its heavy trade dependence on South Africa.

Much of the initial euphoria generated by the 10-year, US$660m project to rehabilitate the Beira route has nevertheless evaporated with the realisation that Zimbabwe and the other countries in the region will probably be tied to South Africa for many years to come.

The Zimbabwe Government, committed to sanctions against Pretoria but unable to implement them, has emphasised the political importance of diverting traffic away from South African ports, while Zimbabwean businessmen, acting through the Beira Corridor Group (BCG), are anxious to stress the economic advantages.

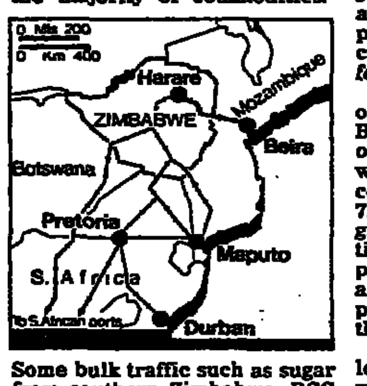
Beira is the natural and traditional port for most of Zimbabwe, three times closer to the capital Harare than Durban in South Africa. Mr Eddie Cross, managing director of BCG, says businesses can save Z$500 to Z$800 per container by using Beira and he estimates that the region would save an annual US$160m - eight per cent of gross overseas trade value - if Mozambican ports were used to the same extent now as in the early 1970s, before Mozambique's independence from Portugal and the start of the civil war.

At the end of 1983 Zimbabwe was transferring more than 90 per cent of its overseas trade through South Africa, and the region as a whole (southern Zaire, Zambia, Malawi, Zimbabwe and Botswana) was 75 per cent dependent on South Africa.

Now, says Mr Cross, Beira is handling 30 per cent of Zimbabwe's overseas trade and the South African share is down to 70 per cent. For the region Beira is taking 20 per cent and the South African stake has dropped to 58 per cent.

By 1990, Beira might be handling up to five million gross tonnes, half the region's trade, although the port remains vulnerable to attack by the South African armed forces and the rebels they used to - and per3haps still do - support.

"It's just a question of slowly pushing up the volumes now," says Mr Cross, "and that's happening too slowly for my liking. I don't think any businessman today can argue that the Beira system is more expensive for the majority of commodities."



Some bulk traffic such as sugar from southern Zimbabwe, BCG accepts, should go via the appropriate bulk loading facilities at Maputo port. The damaged direct railway line via Chicualacuala to Maputo, avoiding the current route through South Africa, is also being refurbished.

Businesses in Zimbabwe have been switching only slowly and cautiously to Beira as they gain confidence in the route. Although the theoretical cost of transport to and from Beira may be lower, the route's lack of reliability can affect delivery times and introduce hidden costs. In August only five per cent of Zimbabwe's tobacco, the country's most valuable export, was sent out through Beira, which used to be the main outlet for the commodity.

Exporters and importers face a range of problems apart from sabotage. Beira is a shallow harbour and it suffers from a shortage of direct shipping services to Europe and elsewhere. (There is little point in exporting through Beira if the goods have to be trans-shipped in Durban anyway).

Some shipping companies still charge a premium for Beira. Other difficulties include Mozambican bureaucracy, the lack of a common language, an acute shortage of accommodation and services in the run-down city of Beira, pilferage at the port, and the refusal of Mozambique to allow road traffic to compete with the state railway.

With the emergency phase of the Beira project recently completed, the railway line has been repaired and work is continuing at the port to remedy the results of years of war and neglect.

Wharves, forklifts and cranes are in a poor state of repair, but a management team has been brought in from the Port of Amsterdam and turnaround times are improving. BCG says Beira probably has 25 per cent spare capacity for exports and more for imports.

But in making an assessment of the benefits and costs of the Beira corridor project, it is not only the price of transport which has to be taken into account. The deployment of about 7,000 Zimbabwean troops to guard the corridor, an operation estimated to cost US$5m per month in foreign currency and a further Z$20m in local expenditure, is a heavy drain on the country's finances.

What businessmen gain in lower transport costs, they may well lose in the form of reduced foreign exchange allocations for imports. However Mr Denis Norman, BCG chairman, makes the point that the corridor has to be defended anyway - regardless of increased dry cargo traffic - because it contains the pipeline which pumps up most of Zimbabwe's annual oil requirements of 600,000 tonnes.

The use of Zimbabwean troops in Mozambique's civil war has encouraged the MNR guerrillas to launch attacks into Zimbabwe itself, killing civilians and militiamen, attacking tea plantations, and giving the Government in Harare an unpleasant reminder of the dangers of becoming involved in your neighbours' wars.

Such ominous incidents on Zimbabwe's eastern border threaten to overshadow the hopeful talk of settling Zimbabwean farmers along the corridor and the achievements of the BCG in revitalising Beira and helping to raise the US$280m already committed by donors to the Beira corridor project.

Victor Mallet

Mining

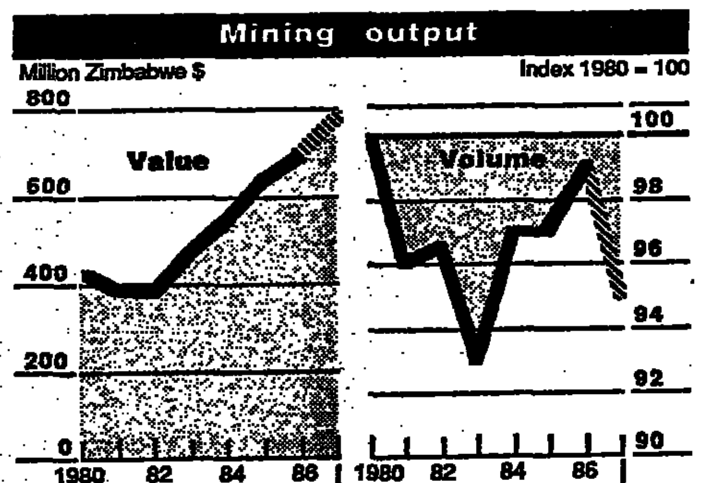
Price rises lift prospects

AFTER A disappointing period of output stagnation, declining investment and falling output, mining industry prospects are looking up following the 1987 upturn in commodity prices. There has been no growth in the industry since independence with real value-added last year being the same as in 1980, but the combination of higher world market prices for some metals - notably gold and ferrochrome - and currency depreciation has resulted in 12 per cent annual growth in the value of production.

Gold which now accounts for more than 40 per cent of mineral production by value - compared with 25 per cent before independence - will increase in importance, mainly as a result of a substantial number of small-scale investment projects involving the re-opening of mines closed in the 1930s and 40s Contributing only seven per cent of GDP and accounting for five per cent of employment, mining's crucial strategic role in the economy lies in the export field. With last year's run-down in gold stocks and the doubling in gold exports to US$250m, the mining industry accounted for 44 per cent of total export earnings. Although several different minerals are produced just four commodities - gold, ferrochrome, asbestos and nickel - provided 38 per cent of exports.

This year, prospects for both gold and ferrochrome have brightened and gold output, which has increased one quarter to 480,000 ounces since 1979, will continue to rise. Indeed, the Zimbabwe Chamber of Mines estimates that gold output can be doubled in the next five to 10 years. Government policy has encouraged gold development with its own Zimbabwe Mining Development Corporation opening up the disused gold Elvington property in the Midlands, which will earn US$12m a year in exports, while the guaranteed support price system - introduced at a time of depressed bullion prices - has been a key factor in encouraging this redevelopment of disused mines. Three growth options for the industry have been identified - increased exploitation of existing deposits, greater beneficiation and value-added within Zimbabwe and, of course, the discovery of new deposits. Since independence such has been the world slump in base metal prices that the focus has been upon the first two options with little investment in new exploration. Most of the new projects - with the exception of Rio Tinto's redevelopment of the Renco Gold Mine and the substantial investment in the open-cast pit at Wankie Colliery - have either improved value-added or raised production capacity through the implementation of modern tech niques and new equipment.

Mining output



This explains why output volumes this year are likely to remain some five per cent fractionally below their 1980 levels and 15 per cent below the peaks established in the mid-1970s. Asbestos production - traditionally one of the country's top three exports - has fallen by almost a third since 1980, though market demand has improved this year and at present the industry is unable to meet some export orders due to the shortage of foreign exchange.

Copper and nickel output this year has been running at little above half 1980 production levels and in mid-year the country's main nickel producer, Anglo-American Corporation's Bindura Nickel Corporation announced plans to put its mines on a care and maintenance basis by September 1988. Because this would have involved retrenching some 4,000 workers, the government stepped in and discussions on a financial rescue package for the group are under way. In the midst of all this, there has been a quite unexpected surge in nickel prices, so that at current price levels Bindura is approaching a break-even situation, after losses of some Z$29m (US$19m) in the past 18 months. Whatever the outcome of the rescue negotiations some cutback in operations seems inevitable unless there is a sustained nickel price recovery, which seems improbable, or a substantial devaluation of the Zimbabwe dollar.

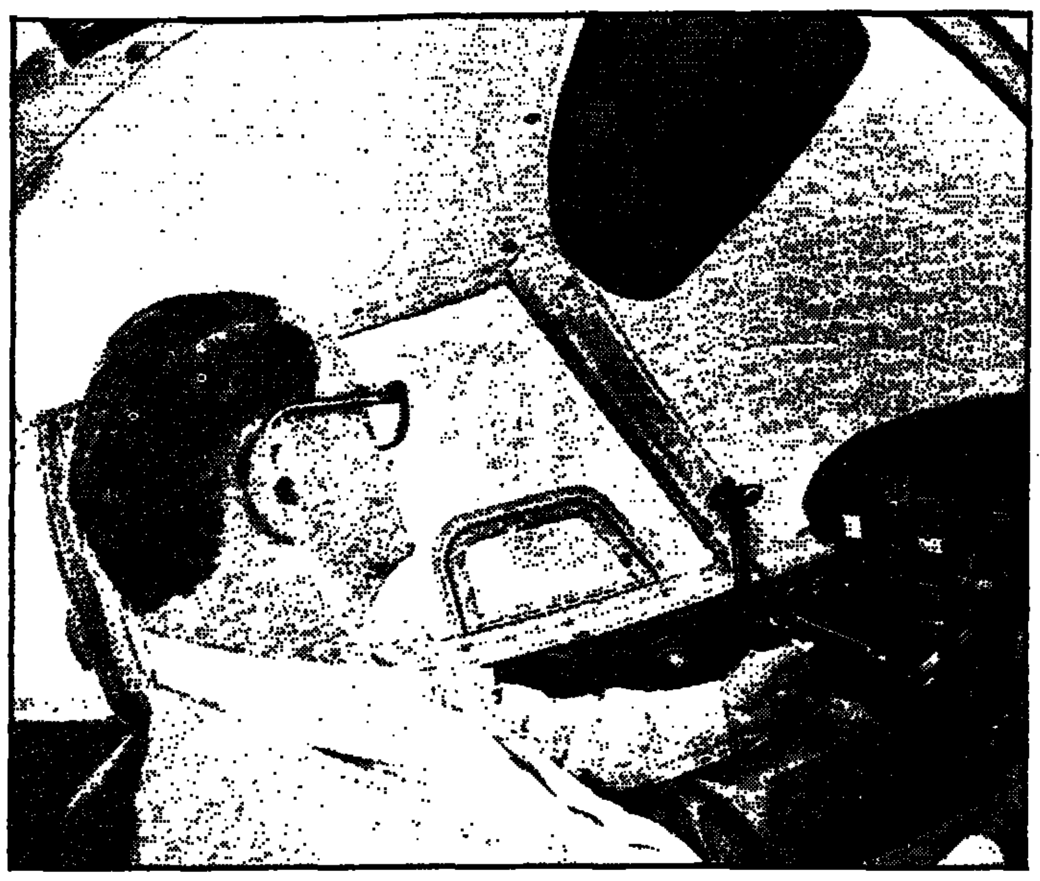
Indeed, apart from gold it is only coal - where output has risen more than 40 per cent mainly to supply the thermal power station at Hwange - and some of the minor metals where production volumes have increased. If the 1987 upturn in commodity prices is sustained, then this trend may be reversed in 1988/9 but much is going to depend on three crucial input constraints - the lack of foreign exchange for the purchase of essential spares and components, transport congestion - also a foreign currency problem since the railways are unable to maintain their locomotives due to a spares shortage - and capital investment in new techniques and equipment. To these must be added a critical pricing consideration - the exchange rate.

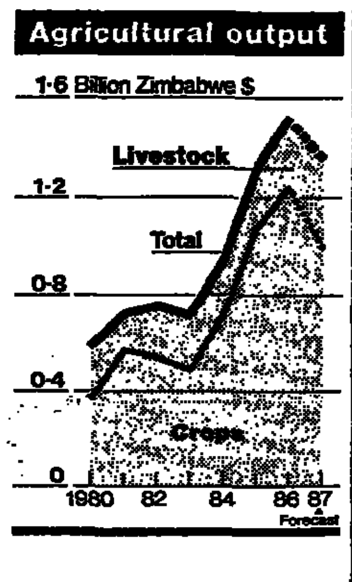
The Zimbabwe dollar has held its parity against the depreciating US dollar for about 2.5 years now, while costs have escalated substantially ahead of inflation rates in the Organisation for Economic Cooperation and Development. In this situation market penetration will become increasingly difficult, especially should transport costs and difficulties intensify because of the regional geopolitical situation.

At this juncture prospects for substantial new investment in mining do not look encouraging. In part this reflects the worldwide unpopularity of investment in raw materials, but it is also a consequence of regional political uncertainties and uncertainty over the Government's role in the industry.

With its purchase of Mhangura copper mine, its controlling (minority) stake in Wankie and its control over marketing - via the state-owned Minerals Marketing Corporation - government attitudes towards investment in strategic industry are crucial. Foreign investors — essential to mine development in the 1980s — are going to insist on favourable terms before they commit substantial new funds to mining in Zimbabwe.

Anthony Hawkins





A Zimbabwean white farmer surveys his crops from the air. *The more fertile land is still largely in the hands of a few thousand commercial farmers*

Agriculture

A bad year for farmers

THIS YEAR is likely to be the worst for Zimbabwe agriculture for more than a decade. The combination of what many farmers describe as the worst drought in living memory, the world agricultural glut and depressed tobacco prices are forecast to result in a 10 per cent fall in the value of farm production this year which - on its own - will cause a two to three per cent decline in real GDP.

Although agriculture has accounted for only ten per cent of economic growth since 1979, it remains the engine of economic expansion since when farming falters the other sectors have not been able to grow. This reflects the central role of farming exports, accounting for 42 per cent of the total in 1986, and also the sheer breadth of the agricultural sector which provides a livelihood for upwards of 75 per cent of the population.

The peasant sector's role has been crucial with crop sales by small-scale communal land farmers increasing ten-fold in the first six years of independence from a mere six per cent of the total to 19 per cent last year. Because of the drought there will be a sharp decline in output this year with maize deliveries forecast to fall by as much two-thirds. This will be partially offset by increased cotton earnings with total cotton production - by both peasant and large-scale commercial growers - forecast to increase 17 per cent to some 290 000 tonnes.

Despite this, peasant sector incomes will be the lowest for three years while in the large-scale commercial sector a substantial 50 per cent improvement in beef earnings will, to some degree, cushion the impact of sharply-reduced revenues from maize, wheat and coffee.

Traditionally tobacco and maize have been the mainstays of the agricultural sector. Last year, these two crops were valued at Z$640m (US$380m) or 45 per cent of total farm incomes. Cotton (12 per cent of the total) and beef and sugar (about 9 per cent each) account for further 30 per cent, so that five products contribute some 75 per cent of total output.

A year ago, a new maize policy, designed to reduce output after two seasons of excessive production was announced and this, allied with very poor rainfall, has resulted in a 75 per cent fall in maize deliveries. but because of the large maize stockpile, which currently stands at 1.6m tonnes or enough for two years' consumption, farmers see little prospect of a significant increase in the producer price and the present planting intentions of large-scale producers indicate a further 20 per cent cutback in the area planted out to maize. Farmers who - 20 years ago - were diversifying out of tobacco. because of economic sanctions. and into cotton, beef and grains, face a new and, in many respects, even more difficult diversification decision in the late 1980s. While beef, its prospects buoyed as a result of Zimbabwe's 8,000 tonne beef export quota in the EEC, is a profitable product, many growers have burned their fingers in tobacco this year. Average tobacco prices are likely to decline by 25 per cent this year, reflecting the 4 per cent increase in leaf production last season, a poor quality drought-affected crop at a time of stagnant world demand. The market situation has been exacerbated by the weak US dollar, the accelerated rundown of the US stockpile and a larger and higher-quality Brazilian crop.

As a result, an estimated 200 tobacco growers will go to the wall this year - unless bailed out by the banks - and with market experts warning that conditions will remain difficult for at least another two years, many farmers are looking to newer and different crops, especially fruit and horticulture. Commercial producers see exporting as their best bet at a time of escalating subsidies and the prices and wage freeze. The freeze means that the Government will be reluctant to increase producer prices for locally-consumed products - such as maize, milk and wheat - since it won't be possible to pass on the higher prices to the final consumer

Subsidies to the state-owned agricultural marketing board have increased eightfold since 1980 to Z$235m (US$140m) this year and with the Government anxious to trim its burgeoning budget deficit, the subsidy vote is the most obvious candidate for treatment.

Exports - especially of items that are not handled by the government marketing boards such as fruit and flowers - offer a way out by avoiding both the subsidy and the domestic pricing constraints. But this kind of diversification cannot be implemented overnight and is dependent on a competitive exchange rate if Zimbabwean producers, with their transport cost disadvantage, are going to penetrate European markets successfully

The other diversification crops being developed by farmers include soyabeans, groundnuts, cotton - and to a much lesser degree - coffee. In every case, profit margins are under pressure because of mounting input costs - tractors, farm machinery, spares, chemicals and pesticides - the glut in world supplies and Zimbabwe's geographical disadvantages as an exporter. For this reason, it is doubtful whether agriculture can maintain its role as the engine of economic growth.

That said, provided good rains fall over the next six months, there should be a strong agriculturally-driven rebound in the economy next year, but unless this is export-led the present import straitjacket will again undermine the recovery in 1988 just as it did in 1986. It is recognition of this reality that is hardening agriculture's resolve to look outwards over the next few years.

Tony Hawkins

Peasant resettlement

Land hunger widespread

"THE SOIL belongs to the people," Zimbabwean Prime Minister Robert Mugabe once said, "and the people must have it back." The war which led to black majority rule in Zimbabwe seven years ago was about more than political power - it was also about ownership of the land.

Guerrillas fighting to overthrow the white Government in South Africa - where blacks are squeezed onto rural reserves making up a much smaller proportion of the land than was the case in Rhodesia - have put a similar emphasis on land rights and must therefore be watching Zimbabwe's progress with interest if not consternation.

An ambitious programme, backed by Britain and other foreign donors, to resettle peasants from the overcrowded communal areas (previously known as the Tribal Trust Lands) on land bought from white commercial farmers appears to have run out of steam.

With Zimbabwe's population growing at an alarming rate of more than three per cent a year, land hunger remains widespread and squatters have illegally occupied parts of some commercial farms and even state land set aside for resettlement by other peasants. But the figures show extraordinarily slow progress.

Progress is slow in peasant resettlement

It was planned that 162,000 families would be resettled by mid-1985. By then only about 35,000 had moved and in the two years since that date the total has risen to only 40,000 households. Government officials say the new target is to resettle 15,000 families a year, although this would mean the Government recommitting itself in earnest to the project.

The more fertile land originally set aside for whites when the country was called Rhodesia is still largely in the hands of whites. Poorer communal areas with some 800,000 families make up 41.8 per cent of Zimbabwe's land - a few thousand large-scale commercial farmers own 33.6 per cent. Land for resettlement takes only 2.5m hectares or 6.5 per cent and the rest is shared between small-scale commercial farmers, forestry and national parks.

"There has not been the political will to make it work," says one western diplomat in Harare. "It's partly economic. Mugabe has realised that without the white farmers the economy would be in a mess."

Agriculture, particularly commercial tobacco farming, is certainly the backbone of the economy, but a desire to protect exports is only one of the reasons for the sluggish pace of resettlement.

Although there has been drought in Zimbabwe for four of the seven years since independence in 1980, peasant farmers in the existing communal areas have been remarkably successful in increasing their output and consequently their income. The quantities of maize and cotton from communal areas sold to the state marketing boards have risen as much as tenfold and fourfold respectively and peasant farmers now produce half of both these crops.

The causes of this - a successful agricultural development policy since 1980 which has provided black farmers with good producer prices, extension services, marketing facilities and credit - are by now well known. One of the effects was temporarily to ease the demand for resettlement.

"We need the land but we are not fighting the Government to say we need to be resettled," says Mr Robson Gapare, who represents some 400,000 black farmers through the National Farmers Association of Zimbabwe. "Our policy is to say develop what you have first, and then if the Government comes up with something, take it."

Mr Gapare's members have several priorities other than resettlement, including the provision of education and health services in their home areas. For the Government, the costs of land acquisition - no white farms have hitherto been forcibly expropriated - and the indirect costs to the economy of the lower yields achieved by peasants farming small plots are an important concern. One study in 1983 suggested that proposed resettlement would absorb 57 per cent of commercial farmland and have significant direct and indirect costs.

Some of the resettlement schemes themselves have not been particularly successful. There were a range of models, but at first the Government clearly favoured cooperatives. "In pursuance of the chosen socialist course of development more and more education will be given and mobilisation undertaken to instil in the farmers the virtue of cooperative and collective production as opposed to the present individualistic tendencies," says one official document.

The unfamiliar cooperatives were perhaps inevitably plagued with problems, not the least of which was lack of profitability, and the overwhelming majority of settlers chose the schemes allowing them their own five-hectare plots. Even here the farmers faced difficulties.

Settlers were short of capital and many former guerrillas, now rewarded with a patch of land, were short of farming skills. Services such as water, schools and buses were slow to come to some of the resettlement sites and farmers were therefore reluctant to bring in members of their families who would normally work as labourers on the family plot. New arrivals are also worried about the tenure arrangements for resettled land, as they do not have absolute title to the plot allocated to them.

The Busitu Intensive Resettlement Project in eastern Zimbabwe, half funded by Britain, is a dairy scheme which is suffering from some characteristic Zimbabwean resettlement problems. Most settlers do not have enough money to establish themselves as milk producers; bus services are irregular; water provided for the scheme at great expense has been wasted and used for non-dairy farming; and Zimbabwe has a surplus of dairy production.

In the early years after independence the Government may have been short of money but there was plenty of commercial farmland for sale. That is now no longer the case. White farmers have regained some of their confidence and demand for farms - except in Matabeleland where more than 50 white farmers have been killed by gunmen since 1980 - is firm.

The shortage of available land puts further constraints on the resettlement programme. A recent land acquisition law gave the state the right of first refusal on a sale and allows the seizure of land considered to be underused, but the final version dropped proposals which would have permitted the designation of large blocks for resettlement despite opposition from the white farmers concerned.

In the long term the pressure on land in Zimbabwe can only increase with the rising population. Land hunger is a problem which has yet to be resolved. "If anything the need for resettlement is more than at independence time," says one official at the Ministry of Agriculture.

Victor Mallet

Tourism

Target is the big spenders

TOURISM IN Zimbabwe is a growth industry in spite of the sector's lowly position on the list of priorities pursued by the Government since independence in 1980.

The number of visitors increased after the war from about 79,000 in 1979 to 395,000 last year, and the figure is still rising at 12 to 15 per cent a year. Hoteliers and others involved in tourism believe, however, that Zimbabwe needs to spend more money on publicity and that the Government has been slow to realise the potential of an industry which provides a rapid foreign exchange return on investment.

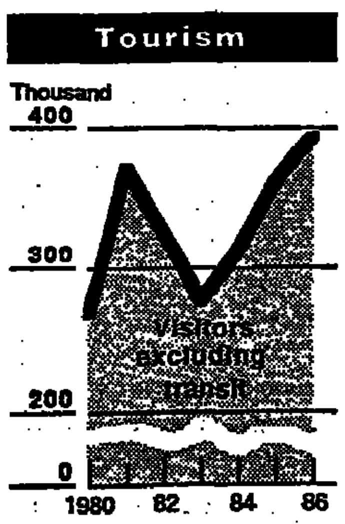
"We have grown," says Mr Wilbert Chihuri, Director General of the Zimbabwe Tourist Development Corporation, "but it is my contention that tourism can contribute much more to this country than it is doing at the moment." Officially, tourist receipts totalled about Z$50m last year, less than two per cent of gross foreign income, but some analysts estimate tourism's real contribution to be more than three times as high.

Family party: elephants at play

Zimbabwe has no coastline, only the shore of Lake Kariba, but boasts a magnificent selection of game parks, the ruins of Great Zimbabwe, and the famous mile-wide Victoria Falls, known locally as Mosi oa Tunya, 'the smoke that thunders'. The infrastructure of roads and services is among the best in Africa.

With average hotel occupancy rates remaining below 40 per cent since 1981, the availability of accommodation is not a constraint on the growth of tourism. In common with other businesses, hotels and tourist enterprises complain of a shortage of foreign exchange. But unlike some, they cannot claim export incentives in the form of preferential foreign currency for imports.

Tourism is granted a trickle of foreign exchange for seafood, wine and a few other items, but money for refurbishment of hotels or the purchase of luxury coaches is hard to come by. Critics are convinced that the policy is short-sighted, given the foreign earning power of tourism and Zimbabwe's attempts to concentrate on a small core of high-spending visitors. Such travellers are likely to be bemused by a shortage of scotch whisky or bourbon in a luxury hotel.



Source: Central Statistical Office

"I cannot claim to have five-star hotels when I cannot have top-notch whisky," says Mr Chihuri. "I cannot expect to have five-star tourists with two-star service."

The Government, he says, is aiming for quality tourism rather than the mass market because of Zimbabwe's limited carrying capacity. "We are not looking for millions. We would like to grow, but we must grow with caution, caution for our environment, caution for our people." He expects growth of the number of visitors to slow to between six and eight per cent a year after the annual influx reaches 500,000.

The raw figures can be misleading - most visitors are not overseas tourists but travellers from South Africa, Zambia and other African countries.

Tourism from overseas is nevertheless increasing after a dip which followed the abduction and murder of six tourists by rebels in Matabeleland in 1982. Two West Germans were shot dead in the same region this year and the industry remains vulnerable to bad publicity, although Zimbabwe's competitors, Kenya and South Africa, also have image problems. At present the visitor is probably more likely to be attacked by Humphrey - an aggressive hippopotamus who dislikes canoeists disturbing him on the Zambezi - than by guerrillas.

Zimbabwe's tourist authorities are trying to attract Europeans and Americans and have been particularly encouraged by a growth in the number of travellers from Australia, which with New Zealand provided nearly 6,500 visitors in 1986. That compares with about 140,000 visitors from South Africa (where Zimbabwean tourist promotion is, for political reasons, somewhat low key), more than 54,000 from Europe and nearly 15,000 from the United States and Canada.

Promotion in the years ahead will probably also focus on Scandinavia and Japan. "We found that the Norwegians were the highest spenders," says Mr Chihuri, "but there are only a handful of them."

Zimbabweans in the tourist industry, while accepting the Government's desire to spend on social services, want more funds to be allocated to a sector capable of generating employment and foreign exchange. The state's growing share of the struggling hotel business, they hope, might persuade the Government to take action.

Victor Mallet

INTERNATIONAL APPOINTMENTS

Mortgage head steps to Goldman from Salomon

BY OUR FINANCIAL STAFF

MR MICHAEL MORTARA, former head of mortgage securities trading at Salomon Brothers, the Wall Street investment house, has joined Goldman Sachs, one of its rivals in the investment banking field, as head of mortgage trading.

At Salomon, Mr Mortara was a key deputy of Mr Lewis Ranieri, the former head of the firm's mortgage business. In a shake-up in July, Mr Ranieri was dismissed and Mr Mortara was ousted as the company tightened its management controls.

Goldman, meanwhile, has been without a head of all mortgage trading for some time. Mr Mortara will become a general partner in the house at the beginning of the 1988 fiscal year.

Mr Mortara is to have responsibility for all Goldman's mortgage trading operations, including pass-throughs, whole loans, receivables and commercial mortgages.

He will report to Mr John S. Corzine on capital commitment matters and will co-ordinate with Mr Eugene Mercy Jr. and Mr Joel Kirschbaum on issues relating to the development of Goldman's mortgage business. All three of the latter are Goldman partners.

Until Mr Mortara's arrival, different mortgage trading areas were run by a number of traders. Mortgage securities trading was headed by three men: Mr John Thain, Mr Mustafa Chike-Obi and Mr Todd Hamilton, who will now report to Mr Mortara.

New chief executive at Gerber

GERBER PRODUCTS Company, the diversified Michigan, baby products concern, with interests ranging to clothing, transport, life insurance and printing has announced that Mr David Johnson will join the company by October 19 as chairman, president and chief executive.

Mr Johnson, 55, was lately president and chief executive of Entenmann's, a subsidiary of Philip Morris Company, the diversified US tobacco group, by way of its MO General Foods Corporation subsidiary.

Mr Johnson succeeds Mr Leo Goulet, who died on July 5, in the role of chief executive, and Mr William McKinley, who stepped down in May as chairman.

* * *

LORAL CORPORATION, the New York electronics-based, defence concern, has appointed Gen Lawrence A. Skantze, 59, who has retired from the US Air Force, to the board of Loral International, a subsidiary.

Gen Skantze served most recently as commander, Air Force Systems Command at Andrews Air Force base in Maryland, where he directed the research, development, test and acquisition of defence electronics and aerospace systems.

Loral International and its subsidiaries manage the marketing, contract administration and financial functions for Loral Corporation's defence electronics programmes overseas.

MR TERUHISA SHIMIZU has been appointed chairman of Sumitomo Finance International. He moves from Sumitomo Bank of California, where he was president. Mr Shimizu was the first president of Sumitomo White Weld, the founder company of Sumitomo Finance International.

Mr Iwao Hirano, president and managing director since 1984, is taking up a post in the head office in Tokyo. His successor is Mr T. Nakamitsu, who joins Sumitomo Finance International from Sumigin Bankers Trust, a joint venture between Sumitomo Bank and Bankers Trust in Tokyo, where he was president.

Luz makes solar energy switch

By Judith Maltz in Tel Aviv

MR ISRAEL KROISER has been appointed president of Luz Industries Israel Ltd, the solar technology concern.

He joined Luz in 1980 as a senior engineer and was the main designer of the first solar power system built in California. Mr Kroiser was then appointed vice-president of engineering, and in 1986 became executive vice-president of the company.

He is readily identifiable by his sandels and kippa, the skullcap traditionally worn by religious Jews, the 35 year old newly appointed president holds a master's degree in mechanical engineering from the Haifa Technion.

Mr Kriosner says in a statement of corporate objectives, made on his assuming his new post: "We will be putting special emphasis on the development of future solar technology to help the company retain its competitive edge in energy fields."

He also announces that the company is to continue to support existing projects in the US, while emphasising the local development of solar technology.

Corporate finance move at Chemical

CHEMICAL BANK, the New York money centre banking house, has appointed Mr Roger M. Widmann head of US corporate finance. Mr Widmann, who joined Chemical in May last year, was previously managing director in charge of Chemical's special industries division.

Replacing Mr Widmann as managing director and head of the special industries division is Mr Alan R. Buckwalter III, managing director. Both are to report to Mr Willam B. Harrison, group executive for the banking and corporate finance group.

Mr Widmann remains a managing director in Chemical's banking and corporate finance group. Mr Robert J. Harrity, Jr, and Mr Richard Y. Smith, both manging directors, are to report to Mr Widmann. Mr Harrity will have senior marketing and deal responsilibities for Chemical's US corporate clients, and Mr Smith operating responsibility for the various corporate finance units.

Mr Widmann joined Chemical with responsibility for corporate finance services to natural resources firms, utilities and other clients served by Chemical's special industries division, becoming head of special industries this February.

He had previously been founder and managing director of First Reserve Corporation. He was before that senior vice president, corporate finance, at Donaldson Lufkin & Jenrette.

* * *

MERRILL LYNCH, the Wall Street investment house, has appointed Mr Joachin Romero-Maura an executive director of Merrill Lynch Europe. He has taken on the post of heading the investment banking activity of Merrill Lynch Europe in France.

Mr Romero-Maura was assistant general manager and treasurer of Williams & Glyn's, the UK clearing bank, until 1984, and then became head of business development for Citicorp Investment Bank of the US in France.

* * *

BANK OF AMERICA, the Californian-based bank with interests around the world, has appointed Mr Jacques de La Chauviniere as senior vice president and a director of its multinational corporate finance group, which is to co-ordinate the setting-up of a new debt/equity swap business.

Mr de La Chauviniere, who is French, joins Bank of America after 16 years with Well Fargo Bank, which is also based in California, and president and head of sovereign risk worldwide and international investment banking. He was earlier Wells Fargo's London branch manager, having previously been with Samuel Montagu, the London merchant bankers.

He will be based in San Francisco, and report to Mr Jamie B. Stewart, Jr, who was appointed senior vice president in charge of the bank's investment banking group in June last year.

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This opportunity will be of particular interest to candidates who see their longer term future in general management. Success in the role could provide access to more senior posts where the candidate would play an important part in developing the Society's future strategy.

Applicants should be qualified, *preferably* chartered, accountants, probably in their thirties, *who have had relevant experience in the financial* sector. Emphasis will be placed on candidates' readiness to meet the challenge presented by the newly enlarged powers of building societies. Personal qualities will, therefore, be important in making the final selection decision.

The attractive remuneration package will include the provision of a motor car, concessionary mortgage facilities, contributory pension and life assurance scheme and BUPA membership. Assistance will be given with re-location expenses where appropriate.

Please apply, in confidence, enclosing a full curriculum vitae to David Bannister, Executive *Selection Division*, *quoting reference* number L/747.

KPMG Peat Marwick McLintock
Executive Selection and Search
City Square House, 7 Wellington Street, Leeds, LS1 4DW.

Systems Evaluation & Control

three key roles for young accountants

Berkshire to £25,000 + mortgage etc

Our client is a substantial division of one of the largest and most influential financial groups. It is currently developing an overall information technology and systems strategy which will enable it to capitalise on its dominant position and provide further flexibility in a changing market.

In conjunction with this, the company is seeking to recruit three accountants who will form a new team to produce a series of essential reports on the numerous systems currently in operation – to review, evaluate and make cost effective recommendations on improvements. On completion of this project there will be extensive systems development and accounting opportunities both within this division and the group.

Applicants should be qualified accountants with audit or systems development experience.

- **Two will have at least two years' post *qualification* experience and one of these must have specialised in computer audit.**
- **The third is likely to be recently qualified.**

Age range is mid/late 20s and, as there will be extensive liaison with management and *staff of all* disciplines, strong communication and reporting skills are essential.

Salaries are negotiable according to age and experience and the extensive benefits package includes relocation assistance where appropriate.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/641/CF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Investigative Accountants

International Group

To £30,000 + Car

These are highly stimulating and demanding positions which will make full use of your accounting knowledge, investigative skills, reporting abilities and the time and resources spent on your education and personal development.

Our client is seeking a number of ambitious and well motivated accountants who can work with equal facility on short term assignments in the USA, Australasia, Far East or the UK. The tasks will all be of real significance to the Group as a whole and will involve frequent work at high level in varying parts of the organisation. The history of previous teams is replete with major promotions and this one will be no exception.

The requirement is for high calibre graduate accountants aged around 30 who can handle a flexible work portfolio without trauma. The foreign travel is unlikely to dominate.

Base location London. Relocation assistance available if necessary.

Please reply in confidence quoting ref. L323 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

OPPORTUNITIES IN FINANCIAL SERVICES

Our client is a financial services division of a large International Group. It has recently expanded its operations both through organic and acquisitive growth and is further increasing its overall market share throughout the world.

As a direct consequence of this a further emphasis has been placed on the role and importance of the finance function and the creation of two positions both of which will be based in London.

Management Accountant To £20K

Reporting to the Divisional Management Accountant this individual will assume overall responsibility for the production and analysis ofmonthly and quarterly management accounts, preparation of periodical budgets and forecasts as well as being involved in the compilation of the Annual Plan.

A significant proportion of ad-hoc assignments are anticipated as well as the ongoing development of accounting based systems.

Candidates should be aged in the mid to late 20s and have already demonstrated their ability to work within a pressurised and demanding environment yet are still keen to extend their careers within this challenging role.

Corporate Accountant c.£23K+Car

Reporting to the Financial Controller, this role will give the candidate overall operational responsibility for the financial accounting functions within the Division. As well as being involved in periodical financial reporting the candidate will also be responsible for statutory requirements for both the UK and overseas operations and liaising with various other group financial functions.

Candidates should be qualified accountants in their late 20s possessing strong interpersonal skills coupled with the ability to manage a large functional area. A willingness to assume early responsibility is essential.

mh

Interested applicants should contact Charles Austin, Consultant to the Company on 01-488 4114 or write to him enclosing a full C.V. quoting reference A063 at Mervyn Hughes International, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN.

MERVYN HUGHES

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Binder Hamlyn is one of the fastest growing consultancy practices in *the UK. We have a reputation for providing a highly professional* service to a wide range of clients and are now seeking to strengthen our team.

In particular, we are currently interested in hearing from very bright, graduate qualified accountants (ACMA, ACA or CA) with excellent industrial, commercial or financial services experience.

Probably in your late 20s or early 30s you can demonstrate a first class track record, including time spent in a senior financial or general management role within an autonomous business unit or at group headquarters. You will be familiar with computer-based accounting and information systems and sufficiently flexible and analytical to feel confident to solve virtually any business problem. Your achievements might include cost reduction, systems implementation, and improving *the management* of cash and working capital.

Consultancy work is demanding but intensely satisfying. You can expect variety—from strategic planning, profit improvement programmes, corporate turnarounds, through treasury, accounting and MIS systems to introducing new commercial systems such as order processing and inventory management.

To discuss the advantages of a career with us please write, enclosing a current CV, to Paul James, Manager of our Financial Management Division, at Binder Hamlyn Management Consultants, 8 St Bride Street, London EC4A 4DA.

BinderHamlyn
MANAGEMENT CONSULTANTS

Partnership Accountant/Secretary

South London £23,000 to £24,000 plus car

Our Client is one of the largest firms of Chartered Building Surveyors with headquarters in South London and offices in the City and main provincial centres. The Firm wishes to upgrade the financial and administrative functions to manage a steadily growing income by recruiting a qualified accountant who will take full responsibility for these duties, reporting directly to the Senior Partner.

Candidates must be ACA or ACCA aged between 26 and 32 and have experience of small computerised accounting systems. Professional practice accounting or audit background would be a distinct advantage.

Please forward a full CV with salary details, quoting reference LM612, to Terry Fuller, Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

INTERNATIONAL AUDIT

Our client is a prestigious, dynamic financial services group based in the United Kingdom, France, the United States, Far East and the Middle East. In line with a firm commitment to its growth and development it wishes to complement its existing Audit team with additional talented professionals.

Deputy Audit Manager – International Banking (Ref. 01)

We require an ambitious Accountant to supervise those reviews performed by the Audit department of the diversified activities of the Group in its international locations. Based in London and reporting to the Vice President of the International Audit region, your responsibilities will include all activities pertaining to the performance of audit assignments, including planning, supervision and report production, and ensuring that standards, quality and deadlines are adhered to. An understanding of systems-based auditing techniques and the ability to communicate at all levels are essential.

DP Auditor – Paris (Ref. 02)

You will be an innovative and energetic individual reporting directly to the Vice President—Group DP Auditor. Based in the Group's Paris office you will be required to assist in reviewing the controls and security aspects of live production systems and those in the course of development.

Your experience will have included all areas of DP audit and systems assurance preferably with an understanding of IBM systems. You must be fluent in French and be a self motivated person who enjoys a high profile position but maintains a pragmatic approach. The Group has a high commitment to new technology including data processing and communication systems, therefore you must demonstrate an interest in and awareness of technology and its position within the financial services industry.

These positions offer a challenging and exciting opportunity to make a significant contribution to a rapidly expanding financial group. They are key positions and therefore we expect candidates to demonstrate all the qualities necessary to fulfil them within an international organisation. The salary packages will reflect the levels of responsibility.

Please call Cathy Walsh and her team at Resources International, quoting the advert ID and job reference number, on 01-388 4252 until 10.00 p.m. each evening, or on 01-388 8368 late evenings and weekends.

ADVERT ID 23 07 1001 55 4

RESOURCES
RESOURCES INTERNATIONAL PLC
10 Fitzroy Square, London W1P 5HA.

Financial Controller

West London Neg £30,000 + car

Our client, is one of the largest independent hospitals in the United Kingdom caring for some 15,000 patients a year. The hospital offers a broad range of patient care facilities.

The Chief Executive Officer is planning to introduce modern cost effective systems and identifies this senior appointment as a critical step in a period of change. This role forms part of the senior management team and encompasses financial, computing, investment, commercial and secretarial responsibilities.

The successful applicant will be a qualified accountant with appropriate management experience. Practical experience of introducing computer systems and a hospital, hotel or service industry background is essential. Short term accommodation can be arranged for out of London applicants.

Please write in confidence quoting reference 7295 and submitting a curriculum vitae and salary details to:

Peter Childs Esq
Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

ACCOUNTANCY APPOINTMENTS APPEAR EVERY THURSDAY

FINANCE DIRECTOR

Cardiff above £30,000 + Car

Christie-Tyler PLC, the leading furniture manufacturer in the UK and a member of the Hillsdown Holdings Group, has a vacancy for a Finance Director at one of its subsidiary companies. The company, which is based near Cardiff, is fully autonomous with a turnover of £15 million and is a major company within the upholstery industry.

Candidates, preferably between 28 and 45 years, must be qualified Accountants with previous experience at a senior level in a consumer goods or light industry. The person must have sound commercial awareness and will be expected to take an active role in the general management and development of the Company in a fast moving environment in addition to controlling all financial and administrative aspects.

This is an excellent opportunity in a challenging business and offers good prospects for further career development within the group. The package includes a basic salary plus a bonus based on results together with benefits which include a car, pension, free life assurance, BUPA and relocation assistance.

Please apply with full career and personal details to:
P.N.T. Whiting, FCA, Finance Director,
Christie-Tyler PLC, Brynmenyn, Bridgend,
Mid Glamorgan CF32 9LN.

CT

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FORENAME(S) ______
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POSTCODE ______ FT/17/9

Employers: Our consultant J. Bennett will be happy to discuss our services. Telephone him on 01-741 8011

F. H. Tomkins plc

TOMKINS wishes to appoint two ambitious executives to its small head office team.

Applicants, ideally qualified accountants between 28 and 42, should have an analytical mind and have already gained appropriate experience in the City or with an acquisitive industrial group. Self-motivation, drive, commitment and a commercial outlook are essential. Excellent scope for career advancement.

Business Development Manager: will be responsible for seeking out and assessing acquisition and organic growth opportunities as well as carrying out investment research. He/she will also assist in post-acquisition integration.

Corporate Finance Executive: preferably with legal experience, will be responsible for a wide variety of corporate finance activities in addition to working with the Business Development Manager and divisional directors in completing add-on and infill acquisitions.

Attractive salary packages, commensurate with experience, will include share options and usual executive benefits. Please send personal and career details, highlighting particular talents and experience considered relevant, together with photograph to:

I. A. Duncan, F. H. Tomkins plc,
East Putney House,
84 Upper Richmond Road,
London SW15 2ST.

GROUP FINANCIAL EXECUTIVES

The Barker & Dobson Group, with an expected turnover of £280m in 1987, have a wide variety of interests from confectionery manufacturing and trading to food retailing.

Recently announced interim results reflect the transformation and successful growth of the Group over the past 2 years, in which it has grown organically and by acquisition and is now producing record profits.

Further substantial growth is planned and we require two well qualified, self motivated accountants, who will not only initiate acquisition opportunities but manage their integration into the expanding group. Exceptional experience will therefore be gained leading to further career opportunities. Whilst divisional financial management or group financial control are possible career paths, we would expect the successful candidates to also consider general management roles with full profit responsibility.

Both positions will be based at the Group's office in Ruislip and will report direct to the Main Board. Some UK travel will be necessary.

Applicants should be qualified accountants under 30 with outstanding relevant experience.

An attractive salary and benefit package will include company car, private health insurance, eligibility for share options and contributory pension scheme.

If you have skills, experience and drive, please write giving full career details to Mr K. McCartney, Group Personnel Director, Barker & Dobson Group plc., P.O. Box 9, Stonefield Way, Ruislip, Middlesex HA4 0JR. Telephone: 01-422 9511.

Barker & Dobson Group p.l.c.

SENIOR FINANCIAL ANALYST

City of London c.£30,000 + Car + Banking Benefits

A challenging opportunity has arisen for a Senior Financial Analyst to join a small professional team in a leading banking and financial services group. The Group is expanding its range of UK services and has embarked upon an important acquisition programme to further develop its business and client base.

The role will include interest rate and balance sheet risk management, the evaluation of new products and financial instruments and the analysis of investment and fund proposals.

Candidates should be graduates, preferably with a business or economics degree and a relevant professional qualification or MBA. They will already have some experience of financial analysis gained either within the financial services sector, a major consultancy or the treasury function of a large corporation. This is a high profile role which will afford considerable exposure to senior management at both group and subsidiary level and which will require excellent communication and presentation skills.

For the right candidate career progression within a changing and demanding environment is assured.

Please write in confidence, quoting reference T3972/L, to Joanna Corr.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Company secretary

NW London, c£35,000+

C&L

Our client is a rapidly expanding and highly profitable international group with a succession of record results.

Their highly specialised trading sector and comprehensive leading edge technology base have produced new record levels of turnover in excess of £25m, profits and earnings per share.

Reporting to the *Managing Director* you will be responsible for the full Company Secretarial function throughout the United Kingdom for the areas covered by the company's wide-ranging activities.

A Chartered Accountant, probably aged 34-42, you will be a key member of the *senior management* team with the need to make a significant contribution to continue the growth pattern and future development of the company, both through acquisition and by internal growth.

This is an exciting and challenging career prospect for the well motivated and creative professional, with the opportunity to advance to the position of Financial Director for the person who can prove they are a top performer and able to fill this senior role working alongside a young and dynamic board.

Terms of engagement are excellent, and in addition to the base salary include a share option scheme, pension contribution, BUPA and a company car.

If you consider you can match up to the high standards required, please forward a résumé, including a daytime telephone number, to John Sanderson Watts, Ref. SW753.

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Outstanding Opportunity in a Top UK Retailer

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Our client is one of the most outstanding retailers in the UK. There is no question you will know their name. A spectacular success story of *the 1980s, within the last 5 years profitability* has soared twenty fold while earnings per share and market value have increased more than ten times! Growing rapidly and with further aggressive plans for expansion, group turnover *easily exceeds £2,000 million pa.*

Within the group, outstanding young accountants and MBAs are highly valued and groomed for accelerated career and salary progression. In a small, informal top management team merit rather than status is what counts – as a high calibre individual you will be fully involved in the financial and strategic management of this leading retail business. Career prospects are, of course, virtually unrivalled.

At group headquarters is a young and energetic management team, with one of the most successful track records in British retailing.

We seek a young graduate accountant or MBA (or equivalent) to become a vital member of the Corporate Finance team. You will be involved in all aspects of dealing with the City, financial markets and the investment community. Major areas of activity will include acquisitions, securities issues, specialised financings and investor relations.

Candidates for the position are likely to be newly qualified graduate accountants, or with up to 3 years further experience in the profession, industry or management consultancy, and probably aged 24-28. Applications are also welcome from confident finalists awaiting results, MBAs (or equivalent), or individuals with relevant experience.

Please send your career and current salary details, together with a daytime telephone number, to Barry C. Skates at our Maidenhead office, or telephone him on 0628 75956 for an informal discussion.

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MKA House King Street
Maidenhead Berks SL6 1EF
Telephone (0628) 75956

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£20,000 – £25,000 + Car
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Hawley Group

FINANCE MANAGERS

The Hawley Group is one of the world's largest international service groups with substantial operations in the U.S., U.K. and Australasia, with a total market capitalisation of approximately $2 billion and a combined turnover of c.$1 billion.

There are exceptional opportunities for the successful candidates to make a real contribution to the continuing growth of the group and to gain experience of a diverse range of businesses. You will find a demanding *environment* where you will gain considerable exposure to senior management and to professional advisers. Responsibilities will embrace both financial reporting and project work.

Suitable candidates will be recently qualified Chartered Accountants aged *mid-late 20's. In addition to* possessing sound technical knowledge and the ability to work under pressure, candidates should be able to respond quickly to a fast moving environment. Realistic opportunities exist for promotion.

Please apply directly to Jeff Grout at Robert Half, Roman House, Wood Street, London EC2Y 5BA. Telephone: 01-638 5191.

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C&L

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We are now looking for outstanding qualified accountants to help us meet the growing needs of our clients. You will join our existing teams providing audit, investigative, corporate finance and advisory services working closely with consultancy staff and specialists from other disciplines.

Successful candidates will be recently qualified chartered accountants or finalists with good academic records. Career opportunities and prospects for international travel are excellent. The reward package is highly competitive and both management and technical training are first class.

For further information please contact **Juliet Connock at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH. Telephone 01-831 2000.**

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This leader in advanced design and construction is one of the UK's largest private building companies. It provides a range of services including traditional contracting and special works, and a *major factor in its* success has been the high volume of repeat business from a list of blue chip clients.

The Financial Controller will work closely with the Finance Director and have a staff of around 30 reporting in. Providing meaningful management information and tight financial control across an interesting corporate structure is the basic responsibility *but the continued* enhancement of systems is also vitally important.

You should be a qualified accountant *in your mid thirties* with extensive service industry experience. Commercial awareness and computer competence are equally *important.* Strong interpersonal skills and a desire to advance to operating division board level within the near term are also required in this dynamic environment.

Interested candidates should contact Geoffrey Rutland on (01) 629 8070, or send a detailed curriculum vitae, quoting ref L285F to him at Slade Consulting Group(UK)Ltd, Metro House, 58 St. James's Street, London SW1A 1LD.

International Search and Selection

SLADE CONSULTING GROUP (UK)

Corporate Controller

BERKSHIRE — TO £40,000 + CAR + Full Executive Benefits

Our client is Northern Telecom, the World's leading supplier of fully digital telecommunications systems and a major *supplier of information management* systems for the office.

The European operations are currently undergoing a major development and expansion programme.

The Group now wish to strengthen their overall finance function by appointing a Corporate Controller. The main responsibilities of this post will include Accounting and Control, Taxation, Planning and Analysis and Systems Development.

Candidates for this appointment will be qualified accountants, aged 35 to 43 years, who can demonstrate excellent experience in a financial control capacity gained within a multi-national.

Please send a full CV with handwritten covering letter to Mr. R. N. Collier quoting reference: N308.

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. . . and all the more so when you consider that your expertise in improving the quality of financial management, and advice to the board, will greatly influence future expansion and performance.

Additionally a review of accounting systems plus the further development of computers will be a priority and, of course, there will be company secretarial duties and the host of diverse activities inherent in small company life.

Aged probably about 30 and qualified, you must offer broad-based experience in a retailing/cash transaction orientated environment. You will have acquired sound commercial *acumen; the ability* to implement computer systems and, of considerable importance, the skill to influence people and to be an effective team member.

And, you must have the desire to become involved in the total management of the business.

This appointment has a Northern Home Counties location and offers a comprehensive benefits package including a non-contributory pension scheme.

Please send a comprehensive CV, to **Dennis Fielding,** quoting Reference **MD1293,** at **Macmillan Davies, Salisbury House, Bluecoats, Hertford, SG14 1PU. Telephone: (0992) 552552.**

Macmillan Davies
INTERNATIONAL SEARCH EXECUTIVE

Commercial Involvement In The Fashion World

Financial Director

North London **£30,000 + Car**

Our client, a subsidiary of a major Plc, is a retail and design company with a high profile in the fashion world, a highly competitive and rapidly changing market.

A Financial Director is required to join a young dynamic management team within this fast moving creative environment.

The Company seeks a commercial individual who will have significant impact on the strategic management of the business and *who will play a major role in the* development of the accounting function.

The successful candidate will be a chartered accountant, aged 30-35, who must be commercial with a hands-on approach, energetic, assertive and have good inter-personal skills. Experience in initiating change via computer-based systems would be a distinct advantage.

Interested applicants who meet these requirements should write, enclosing a comprehensive curriculum vitae, to **Jon Anderson ACMA, The Executive Division, *Michael Page Partnership, 39-41 Parker* Street, London WC2B 5LH quoting ref: 452.**

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UNITED TECHNOLOGIES

Operational Audit

Brussels or Milan **£21,000 – £29,000 with tax benefits**

United Technologies is a broad-based designer and manufacturer of high-technology products with worldwide sales in excess of US $15 billion. The Company's best known products include Pratt and Whitney aircraft engines, Sikorsky helicopters, Carrier air-conditioning systems and Otis elevators. United Technologies ranks among the top twenty industrial corporations in the Fortune 500. European operations have expanded rapidly, with over sixty acquisitions and new ventures in the last five years and sales now in excess of US $2 billion.

The European audit team provides a means for United Technologies' future managers to gain commercial experience in a European environment before moving into a position within an operating company. This active policy of internal advancement has resulted in four promotions to middle management and executive levels in the last ten months.

Further planned promotions lead them now to seek other high-calibre individuals who can demonstrate a similar desire to succeed and potential for advancement.

These positions represent an excellent opportunity for those seeking a first move out of the accountancy profession, or alternatively a second move within industry, into a position of responsibility in a manufacturing company.

Candidates must possess superior communications and analytical skills. Critical to success in these assignments is the ability to recognise possibilities for improvement and then present convincing recommendations to senior management. Audit experience of three to eight years, and working knowledge of a second European language are also required. These positions *involve assignments at various* locations throughout Europe, with return to homebase at weekends.

In addition to the definite career prospects, a substantial salary and benefits package is offered. Interested applicants should contact **Stephen Raby** on Brussels (010 322) 648.13.84 at **Michael Page International, Avenue Louise 350, box 3, 1050 Brussels.** *Alternatively, write to him* **c/o Michael Page International, 39-41 Parker Street, London WC2B 5LH.**
Please enclose a comprehensive curriculum vitae with your application, quoting **Ref. B 354/FT.**

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Efficiency, Economy and Effectiveness
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Not only are we constantly growing at the AA, we are also constantly diversifying. Well established as the world's largest motoring organisation, we are also enjoying success in numerous other business areas.

It's growth that is set to continue. And growth that has demanded the complete reorganisation of our Audit function.

Our newly established Management Audit function, directed by an imaginative, farsighted senior management team, will be responsible for undertaking reviews and appraisals of all business areas utilising techniques such as Value for Money, CAATs, CWM etc, to measure performance against set business goals and objectives.

As a result of this each of the following new specialist roles calls for accomplished oral and written communication skills, together with strong commercial acumen:-

Head of Performance Audit c£20,500

Reviewing and appraising our business, you will devise and implement strategies designed to measure our business objectives against set goals, and also carry out comparative financial analysis.

Equipped with a professional qualification, you must have also gained at least 3 years' experience of the application of Value for Money techniques within a large, diverse organisation.

Head of Clerical Work Measurement c£18,500

Working closely with the Head of Performance Audit, you will identify areas where clerical work measurement and allied techniques can effectively reduce costs and increase efficiency.

Flexible, imaginative and educated to degree level, you will have 5+ years' management services experience, plus formal training in one or more of the analytical techniques.

Head of Computer Audit c£20,500

Technology is at the forefront of the Association's business. You will be responsible for providing independent appraisals of the soundness and adequacy of accounting, financial and other operating controls within our computer based operations and procedures. As a qualified Accountant you must have computer auditing experience gained in a *large, diverse organisation using innovative technology and be familiar* with the use of CAATs.

Head of Systems Audit c£18,500

You will work closely with the Head of Computer Audit to ensure that computer and manual based operations and procedures meet the demands of business development.

Your accountancy qualification must be backed by at least 2 years' auditing experience gained in a large company environment utilising computer based systems.

As our growth continues, so will yours. Indeed, you can look *forward to excellent career prospects. We will also enhance your salary* with pension, life insurance and private health insurance schemes, relocation assistance to our Basingstoke Head Office where appropriate, and a wide range of other benefits, some of which are unique to the AA.

For us to consider your background in relation to these requirements, please write, enclosing your CV, or telephone for an application form and job description to the Manager Personnel, Head Office, at the address below. Tel: 0256 493071.

AA

THE AUTOMOBILE ASSOCIATION, FANUM HOUSE, BASING VIEW, BASINGSTOKE, HAMPSHIRE RG21 2EA.

Director of Financial & Planning Services

C.£25,000 PLUS CAR

CITB, a major Training Board, which, in addition to providing a comprehensive training service for the Construction and Allied Industries, is the largest Managing Agent for the Government Youth Training Scheme, wishes to appoint a Director of Financial and Planning Services.

Reporting to the Chief Executive, this key post will be responsible for:

- **Financial Planning**
- **Budgeting**
- **Management Information**
- **Computer Services**
- **Advice to the Board and its Committee on Financial Policy**

Candidates for this appointment must be professionally qualified and have experience of the key functions outlined at senior level.

Essential personal qualities will include the ability to communicate effectively with senior people in industry and possession of proven management skills.

Benefits include a Board car, contributory pension scheme and annual holiday entitlement of twenty-five days, plus statutory public holidays.

The appointment is based at the Board's Headquarters at Bircham Newton, near King's Lynn, Norfolk, where necessary financial and other assistance with relocation will be provided.

Applicants for this appointment should write, enclosing a detailed curriculum vitae, to:

CITB
CONSTRUCTION Industry Training Board

**The Chief Executive,
Construction Industry Training Board,
Bircham Newton,
KING'S LYNN,
Norfolk, PE31 6RH**

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday September 17 1987

Henkel forms French joint venture with Colgate-Palmolive

BY HAIG SIMONIAN IN FRANKFURT

HENKEL, the West German speciality chemicals and detergents group, has reached agreement with Colgate-Palmolive of the US on a French joint venture to manufacture the household care products of Lesieur-Cotelle, the French washing and detergents company which Henkel bought in June for *FFr2.05bn ($338m)*.

The deal means that Henkel is effectively selling a half share in Lesieur-Cotelle, since renamed Cotelle and which last year had sales of FFr1.35bn, to Colgate's French subsidiary for FFr910m.

Colgate-Palmolive France is buying the marketing rights to a variety of Cotelle products, including chlorine bleaching agents, bar soaps, window and household cleaners and toilet bowl cleaners, with total sales of about FFr500m.

Colgate-Palmolive France, which had sales in France last year of FFr3.6bn, is also taking on Cotelle's subsidiaries in Africa and Luxembourg, as well as a major part of its business in Belgium, with sales totalling FFr150m.

Meanwhile, Henkel France will market Cotelle's household cleaners, dishwashing products and fabric softeners, which have total annual sales of about FFr700m.

On the production side, the two companies intend to manufacture Cotelle products through a 50-50 joint venture, which will also include Cotelle's applied research. The two companies have also agreed that each will be able to use internationally Cotelle's technology and know-how, especially in liquid and concentrated *cleaning* products.

The two maintain, however, that they intend to "remain competitors as before both in France and internationally." Quite how is not made clear.

Lorimar to sell ad agencies for $143.2m

BY DEBORAH HARGREAVES IN NEW YORK

LORIMAR-TELEPICTURES, the California-based television producer, has agreed to sell its three advertising agencies, Kenyon & Eckhardt; Poppe Tyson; and Bozell, Jacobs to a Bozell management group for a total of $143.2m.

The sale, which continues the company's current restructuring programme announced in April, will enable Lorimar to concentrate on its core entertainment and production business, Mr Merv Adelson, chairman, said.

Lorimar, which produces well-known television series Dallas and Knots Landing, has made several restructuring efforts since it was created in February last year. In June, it abandoned its attempt to set up its own network of television stations and agreed to sell those it had already acquired.

The sale of its advertising units, which should be complete within 75 days, comes after the company posted a loss of 15 cents a share in the second quarter. Lorimar's stock was up $½ in early trading yesterday to $16½.

The Bozell, Jacobs management group said it has engaged Merrill Lynch to arrange financing for the sale, which includes agreement to pay $22.2m of the purchase price in future instalments. Bozell, Jacobs – with annual billings of more than $1.4bn – is the 12th largest US advertising agency. Poppe Tyson has billings of $70m.

Equiticorp increases Guinness Peat bid

By Terry Povey in London

EQUITICORP, the New Zealand banking and investment group, has increased its bid for the Guinness Peat Group (GPG), the UK banking and fund management group, by 5p to 115p-a-share but British publisher Mr Robert Maxwell was yesterday trying to promote rear guard resistance to the offer by buying 5m GPG shares at higher prices.

After a series of overnight meetings with Equiticorp on Tuesday, Guinness Peat decided not to recommend the increased offer which values it at £356m ($587m), describing it as inadequate.

However, while the GPG board is keen to obtain an improved offer, the level of the group's opposition to the Equiticorp bid is clearly more muted.

GPG's changed mood was apparent in the decision of its board to agree to the lifting of Takeover Code limitations in Equiticorp which blocked the bidder from making further share purchases before Friday.

As a result, the New Zealand company acquired an additional 11.9m shares yesterday from the managers of Forstmann-Leff, the US fund management subsidiary acquired by GPG in October 1986.

This share purchase takes Equiticorp's *total holding in GPG up to* 39.2 per cent. Of the outstanding shares, 2.6 per cent are owned by Mr Joel Leff, who is prevented by his membership of GPG's board from selling his shares at this stage, and a further 5.7 per cent is in the hands of Lord Kissin, GPG's founder.

Yesterday Lord Kissin announced that he would not sell any of his shares for six months. In addition, he is sub-underwriting, for no fee, part of Equiticorp's increased offer.

There is still confusion as to Mr Maxwell's intentions.

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Gordon Cramb in New York assesses the US producer's ambitious growth plans

Pickens spurs Newmont Gold rush

NEVADA appears to have become little short of Nirvana for minority shareholders in Newmont Gold, the *operator* of five *open-pit gold mines* covering a 400 square mile area in the north-east of the state.

Their company, which already claims the largest gold reserves in North America, has suddenly announced that these are expected to prove almost half as much again and exploration efforts are being doubled.

Production will rise accordingly by 50 per cent next year and the same margin in 1989. This will make Newmont Gold the leading producer of the metal in the US and Canada, putting Homestake Mining and even Canada's newly-combined Placer Dome into the shade.

Shares in Newmont Gold, floated 15 months ago, have quintupled to value the company at nearly $5bn.

This flurry of new development activity – and $10¼ of the rise in the stock price to a current $46 – has come since August 13. That was the day Mr T. Boone Pickens and his Ivanhoe Partners emerged with a near 10 per cent stake in Newmont Mining, the gold company's parent, *and later proceeded to bid for the* rest.

Analysts are amused at the swiftly-changing company projections being pushed for Newmont Gold from the group's Park Avenue headquarters in Manhattan.

NEWMONT GOLD	
Production (000 oz)	
1986	474
1987*	585
1988*	913
1989*	1,400

* Forecast

Expansion moves, which were faintly inked in for 1989, are to start immediately. According to Mr Nicolas Toufexis at Prudential-Bache: "I *couldn't understand why they* were postponing it. I don't think what is happening now is coincidence."

The 1986 annual report spoke of a 22 per cent increase in production this year to 577,000 ounces, with sales expected to grow "significantly" in 1988 and 1989. Forecasts for those periods were later quantified at 777,000 oz and 890,000 oz.

By August 27 this year, Mr Gordon Parker, group chairman, was able to write to shareholders in Newmont Mining telling them that a 585,000 oz production could be expected for 1987, with the two following years bringing 850,000 oz and then 1m oz.

"Newmont Gold thus promises to *become the first company in the* history of North American mining to produce a million ounces in a single year," he said. This was from proven and probable reserves of an estimated 14m oz.

Barely two weeks later, on September 11, mining analysts and the public heard Mr Peter Philip, Newmont Gold president, speak of "an aggressive new business plan and capital investment *programme*."

Under this, next year should see 913,000 oz from Newmont Gold, while the 1989 figure was raised to 1.4m oz. Thereafter, it "will reach 1.6m oz in 1990, a level which can be sustained through 1992 and beyond, based on current proven and probable geologic reserves of 14m oz," he added.

Over that fortnight, in other words, Newmont had found ways of extracting and processing close to a *quarter more metal for the next two* years. At today's bullion values, just that latest boost to production targets would, if met, bring in an extra $210m. The combined effect of the two-stage raising of output ambitions would yield nearer $300m.

So how is this to be achieved?

First, capital spending over the five years is to be doubled to $400m compared with the outlay originally planned. By 1990 the properties will be served by four mills rather than the current two, and leaching facilities for lower grade ore will also be more than doubled from current *capacity*.

Second, $70m will now be spent on exploration. This is intended to keep reserve development in step with the far faster output rate.

Third, last week Newmont disclosed a rare quantification of its long-range projections for its properties. Mr Parker's 14m oz figure for reserves had been accepted as standard, if conservative.

Peter Philip, president of Newmont Gold

However, the company's latest announcement of "another estimated 6m oz" – noting that this was based on drill hole data and geological inference – has not yet been fully analysed.

Mr Toufexis believes the resultant 20m oz in prospect is still "grossly understated."

Mr William Siedenburg at Smith Barney says: "They probably had a number of alternative plans, each in a different pigeon hole. They just pulled out the right pigeon."

Every share in Newmont Mining embodies 1.4 units of Newmont Gold stock, he says.

Bringing production forward has a clear knock-on effect on market values for both – although *Newmont Mining* shares did not respond to the full extent that would imply Ivanhoe was required this week to raise its bid by $10 a share to $105.

One way Newmont could reduce its allure for Mr Pickens is to spin off the gold side to shareholders.

Consolidated Gold Fields of the UK, Newmont Mining's biggest *shareholder with 28 per cent, might* be among those interested in a separation of the pure gold interests from Newmont's coal and energy involvements.

But Mr Siedenburg argues that the market value of the aggregate would almost certainly emerge lower, because a spin-off would dilute or remove the scarcity value in Newmont Gold shares.

Meanwhile, the production boost and the extra spending it entails could be judged either way. "If you have a good gold property and can pull it out now, there are people, probably in Cons Gold too, who see an early 1990s with worldwide gold production increased so much that *it would force the price down.*

"Unless, that is, we have a bout of inflation and gold would go very high. For that scenario, you would want to defer production. In a way, you're damned if you do and damned if you don't," says Mr Siedenburg.

Bethlehem Steel in 12m share issue

BY ANATOLE KALETSKY IN NEW YORK

BETHLEHEM STEEL, the third biggest US steel company, is planning to issue 12m shares of new equity, a move which will increase its common stock outstanding by 23 per cent.

The proceeds of the offering, which could raise more than $200m at Bethlehem's current stockmarket price of $17¾, will be used to retire debt and strengthen the struggling company's highly-leveraged balance sheet.

As such, the capital-raising exercise is an unusual manoeuvre at a time when many US industrial companies are still restructuring their balance sheets and increasing leverage in their attempts to boost returns on common stockholders' funds.

Bethlehem has only just emerged into profitability after a period of near-catastrophic losses stretching back to 1982.

Its cumulative losses in the five years to mid-1986 amounted to more than $2bn and it was widely thought to be the next candidate for bankruptcy after LTV, the second-*largest US steel* company, filed for court protection last year.

The company's debt has grown while equity has shrunk because of the losses. At the end of the second quarter, Bethlehem had more than $2bn in long-term debt and liabilities against total equity of $924m and common equity of only $498m.

Chase sells Saudi stake

BY FINN BARRE IN RIYADH

CHASE MANHATTAN, the major US banking group, is selling one quarter of its 20 per cent stake in Riyadh-based Saudi Investment Bank (SAIB) to *National Industrialisation* Company (NIC), a Saudi industrial investment concern.

NIC is purchasing another 5 per cent from Commerzbank of West Germany to give it a 10 per cent stake in SAIB, the smallest of the kingdom's nine joint venture banks.

The two deals will not be finalised until after present foreign shareholders are given the first option to buy these shares. Chase will remain the largest joint venture *partner in SAIB, and NIC's purchases* will make it the bank's second largest shareholder.

Chase said yesterday that the sale was "in keeping with our worldwide policy of reducing minority investments, particularly where we can't have a majority investment."

Brierley investment vehicle ahead

INDUSTRIAL EQUITY (Pacific) (IEP), Mr Ron Brierley's Hong Kong-listed investment vehicle, showed a *jump of 158 per cent* in holding costs of an expanded share portfolio, reports Reuters in Sydney.

IEP, owned 51 per cent by Brierley Investments and 18 per cent by Industrial Equity said the holding costs of new *investments always exceeded* the initial return.

IEP earlier reported net profit rose to HK$419.1b (US$53.7m) in the year ended June 30 from HK$162.3m in 1985-86 on sales up at HK$5bn from HK-3.21bn. Earnings per share doubled to 139 cents from 70, despite capital issues in January and the effect of absorbing a *HK$2.7bn increase in its share* portfolio to HK$9.33bn at qbalance sheetdate.

The company said the cost of its share portfolio, mainly British and US companies, was HK$7.18bn.

Most of its investments are held with a view to eventual full or partial acquisition or other degrees of permanent relationship. In recent years it had made more disposals than normal because of buoyant share markets but the prime objective remained expansion by acquisition, it said.

Pacific Dunlop profits expand

BY CHRIS SHERWELL IN SYDNEY

INCREASED EARNINGS from the sale of condoms and surgical gloves have contributed significantly to the broad-based improvement in revenues and profits at Pacific Dunlop, according to results released yesterday *for the year to June*.

The Australian rubber products and electrical goods conglomerate reported a 34 per cent increase in after-tax profits to A$148.1m (US$108.2m) from A$110.5m, on a 11.2 per cent rise in turnover to A$2.67bn.

The group said the figures, which were reported on an equity-accounted basis, pointed to a compound annual growth rate in *earnings of 30.8 per* cent since 1980.

Earnings per share increased from 27.5 cents to 32.3 cents, while return on shareholders' funds rose above 20 per cent to 20.9 per cent for the first time. The dividend was lifted 1 cent to *13.5 cents per share, fully* franked.

Electrical products and consumer products were once again the two biggest contributors to turnover and earnings in the year, producing A$1.25bn in sales and A$149m in profits before interest and tax.

But the AIDS scare meant the latex and medical products division showed a 31 per cent rise in gross sales to A$269m *and a 43 per cent increase in* pre-tax profit to A$43m.

Growth in the US and Europe was strong, and the group said Ansell International, operating at full capacity worldwide, improved its position as the world's largest manufacturer of *condoms and latex medical* and household gloves.

The batteries division was hauled out of the red to make a small A$1m profit. Sales and profits in Australia and New Zealand were up, but the group said overall earnings were held back by restructuring costs at Pacific Chloride in the US.

Tyre manufacturing and retailing was the only division to show a fall, but the group said excellent progress had been made combining the operation of Dunlop Olympic and Goodyear in Australia, New *Zealand and Papua New Guinea*. This merger, completed last March, created South Pacific Tyres, Australia's largest tyre business.

In footwear, Pacific Dunlop expanded in the US market and said that in Australia it now *sold four out of every 10 pairs* of shoes purchased.

Overall it said about 25.6 per cent of its revenues and 33.3 per cent of its earnings came from outside Australia. Directors said the group planned to increase the earnings share in the current year.

Dairy Farm shows 49% rise for six months

By Our Financial Staff

DAIRY FARM International the Hong Kong-based food retailing and manufacturing group, yesterday reported interim after-tax profits for the six months ended June 30 of HK$172m (US$22m), up 49 per cent from HK$115.6m for the previous half year.

Sales were up 26 per cent to HK$ 6,011m, including for the first time a full half-year contribution from Maxims, acquired in September 1986.

The company, 35 per cent of *which is held* by Jardine Matheson, was spun off from Hong*kong Land* when it was demerged in August 1986. In July this year, it suceeded in a £147m (US$ 241m) partial tender offer for 25 per cent of Kwik Save, the UK discount food retailer. It also has operations in *Australia*, where it owns Franklins, the country's third largest food retailer, and in China, where it operates a *joint* venture producing ice cream in Guangzhou.

Mr Simon Keswick, chairman, said the comapny's Hong Kong operations had benefitted from the strength of the economy, and that it would continue its strategy of expanding into new markets in the Far East. A further *factory was planned in* Guangzhou, and the company had received government approval for a supermarket and drugstore chain in Taiwan.

As a result of property sales, a share issuance to Jardine Matheson and a planned issuance of US$150m, the company would be debt-free by the end of the year.

Chevron to sell Angolan stake

BY OUR FINANCIAL STAFF

CHEVRON said on Tuesday it will sell part of its stake in an Angolan oil partnership in the *next few weeks to the Italian* national oil company AGIP.

Chevron said the sale, which analysts value at about $200m, is part of the company's efforts to cut its $8.3m debt, largely caused by the purchase of Gulf Corporation *in 1984*. Chevron recorded its first quarterly loss in 53 years in the last quarter *of 1986, and has been hard hit* by the slump in oil prices.

Chevron acquired the Angolan interest when it bought Gulf, *which has been active in Angola* for about 30 years. The company will now sell one-fifth of its interest, or about 10 per cent of the stake in the oil partnership in the African nation. Sonangol, Angola's national oil company, owns 51 per cent and *Cabinda Gulf*, a unit of Chevron, currently owns 49 per cent. Chevron would not comment about the *purchase price*, and said it was not likely the company will sell its entire interest in the Angolan operation.

Chevron's ownership in the Angolan oil partnership *has* been the centre of considerable controversy. Conservative Congressmen within the Conservative Caucus have criticised Chevron for its presence in Angola, which has been a long-standing embarrassment for the US Administration, which funds the anti-government Unita guerrillas.

In April, Senator Jesse Helms sent letters to Chevron shareholders asking them to join a protest against Chevron until it withdraws its interests in *Angola, claiming it aids the* Soviet/Cuban occupation in that country.

But analysts in Washington *doubt whether this has been a* significant factor in the decision to sell. Despite repeated Congressional attempts to penalise the company for its involvement, no effective legislation has been passed.

Japanese outlook improves

CORPORATE PROFITS of Japanese companies will fall an average 0.5 per cent in the year ending March 1988, *according to a survey* by the Nomura Research Institute, Reuter reports from Tokyo.

That compares with an esti*mate in June of a 4.2 per cent* drop, and an 8.3 per cent decline in the whole of 1986/87.

The survey covered 363 com*panies with an April to March* financial year and listed in the first section of the Tokyo Stock Exchange.

Current profits of manufacturing industry will rise 31.2 per cent in 1987/88, up from an earlier estimated 20.2 per cent rise and a 22.6 per cent drop in 1986/87, the Nomura report said.

But profits of non-manufacturing industry will fall 22 per cent in 1987/88, mainly because elec*tric power companies face large* profits drop due to higher oil prices and repayment to consumers of gains from the yen's rise, the report said. That compared with an earlier estimated 15.1 per cent rise and a 24.5 per cent gain in 1986/87.

The gains reflect a better-than-expected domestic economy thanks to higher housing starts and private consumption, a recovery in product market prices and measures to check *the yen's rise against the dollar*.

Singapore bank advised to accept offer

STANDARD CHARTERED Merchant Bank Asia (SCMB) has advised shareholders of the Industrial and Commercial Bank (ICB) to accept a takeover offer by the United Overseas Bank, reports Reuter in *Singapore*.

SCMB, retained by ICB to assess the offer, said in a circular the offer was fair and reasonable in relation to the dividends, earnings and net tangible assets of ICB.

It said ICB had the potential to become more competitive *and achieve a better financial* standing under UOB management. UOB, which already owns 28 per cent of ICB, is bidding for the remaining 26m shares. It is offering either seven of its shares for every eight ICB shares or S$5.75 cash for each ICB share. The offer *closes on September 24*.

INTERNATIONAL COMPANIES and FINANCE

Akzo puts consumer division up for sale

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, is believed to be negotiating the sale of its consumer products division to Sara Lee Corporation of Chicago, a leading US consumer goods concern, for about Fl 1.2bn ($588m).

Akzo said yesterday that no agreement had been reached on a possible sale and that it would take several more months before a final decision was made.

The company, which topped the list of most actively traded stocks on the Amsterdam bourse yesterday, promised to give more details soon.

Sara Lee said it was always in the acquisitions market but refused to comment on the possible purchase of the Dutch activities.

Akzo's consumer products division includes foods such as soups, nuts and sauces sold throughout western Europe under the Temana and Heidelberg brand names, among others.

Personal care products and cleaning agents are also in the division, which account for 9 per cent of Akzo's total revenues. It reported a 13 per cent dip in sales to Fl 1.45bn last year but operating income improved 5 per cent, to Fl 91m.

In recent years Akzo has vigorously reshaped its products range toward higher value-added chemicals and fibres, concentrating on the key areas of pharmaceuticals, specialty chemicals, advanced fibres and special coatings.

Last month the Arnhem-based company said the sale of its consumer products division "was not excluded" and that all operations were reviewed with a critical eye toward improvement.

Consumer products may no longer be considered suitable for the company's core activities and the proceeds of a sale might be viewed as filling Akzo's coffers in readiness for acquiring more attractive activities.

Telefonica rights issue may raise Pta 75bn

By Our Financial Staff

TELEFONICA, the Spanish telecommunications group facing a heavy capital investment programme, plans shortly to announce a large rights issue, possibly to raise Pta 75bn ($615m).

The company said in London yesterday that it would decide on the issue at a board meeting scheduled for September 30. The issue would raise between Pta 55m and Pta 75m and would probably take place in November.

Telefonica, which dominates the bourse in Spain and is widely listed on foreign stock markets, faces a bill for capital spending of about Pta 1,800bn over the next five years as it pushes ahead with a massive modernisation programme in Spain.

It recently raised $375m via a share offering on Wall Street. The current rights issue plans are part of a wider financing programme involving bonds and commercial paper issues.

The company, which is 31 per cent owned by the Spanish Government, said the issue was likely to be priced above par. *Traditionally*, equity offers by Spanish companies are priced below par, a tactic that Telefonica adopted with earlier issues.

Referring to plans for a joint venture in the Soviet Union, Telefonica said it was close to signing a deal which could involve the formation of a telephone equipment plant in central Russia.

If it goes ahead, the venture would be 51 per cent owned by the Soviet state, which would put the equivalent of Pta 1bn into the operation.

Telefonica would not say yesterday whether the Russian plant — if it went ahead —would add much overall cash-flow. However, it was confident of continued profits growth at the group level.

The company made net profits of Pta 45.2bn in 1986 on sales of Pta 468bn.

Dutch distiller ahead

BOLS, the Dutch drinks group, reported a modest rise in profits for the first half of 1987. Net earnings improved to Fl 32.7m ($16m) from Fr 31.5m in the opening half of 1986.

CIC to float offshoots on French regional bourses

BY GEORGE GRAHAM IN PARIS

FRANCE's sixth largest banking group, Credit Industriel et Commercial (CIC), is to reorganise its capital structure in the next few weeks, enabling it to privatise some of its profitable subsidiaries.

CIC, a confederation *of* regional banks which has been *wrestling* with problems *of* structure and identity for the last five years, is expected to float Lyonnaise de Banque and Credit Industriel d'Alsace et Lorraine on the Lyon and Nancy bourses, their respective local stock markets.

The reorganisation will involve simplification of the group's multi-tier capital and the elemination of its several classes of preferred dividend shares, which *hamstring* its profits distribution.

The central holding company of the group, Compagnie Financiere de CIC, which is 34 per cent owned by the state sector insurance company Group des Assurances Nationales (GAN), has four classes of equity capital, including ordinary shares, two types of shares with preferential dividend rights, and non-voting preferred certificates of investment.

In addition, the Compagnie Financiere owns preferred dividend shares in several of its regional subsidiaries. The re*organisation has to clear up* the transfer of profits back to the group from these subsidiaries.

The CIC group was originally a loose network of regional banks which had a common shareholder in the Paris CIC. After nationalisation in 1982, the newly created parent Compagnie Financiere took majority stakes in each of the 10 regional banks.

The privatisation of the Compagnie Financiere itself is *not* viewed as an immediate priority.

With 16 per cent of its capital already in the hands of the public—in certificates of investment—and a further 4 per cent held by the Suez group, whose privatisation begins in three weeks, it requires only the privatisation of GAN, with its 34 per cent stake, to bring the majority of the group's capital into the private sector.

Lyonnaise de Banque and Credit Industrial d'Alsace et Lorraine are among the group's most profitable components, *with earnings of FFr 112m* ($18.5m) and FFr 100m respectively in 1986.

Lyonnaise de Banque has itself been one of the most active supporters of the Lyon Stock Exchange, specialising in bringing companies to the second market.

Other less profitable subsidiaries, such as Societe Bordelaise de CIC, would be unlikely to be early candidates for privatisation.

The Government has already carried out one regional privatisation with the heavily oversubscribed flotation of Sogenal, the Alsatian subsidiary of the Societe Generale bank, on the Nancy Stock Exchange.

The CIC group as a whole made net consolidated profits, excluding minorities, of FFr 896m last year, up 40 per cent from the previous year.

Pirelli SpA profits climb 24%

BY ALAN FRIEDMAN IN MILAN

PIRELLI SpA, the Italian holding company that controls 43 per cent of the Pirelli tyre and cable group, yesterday unveiled a 24 per cent increase in net profit, to L62.7bn ($48m) for the year ended June.

Pirelli plans unchanged dividends of L100 per ordinary share and L120 per savings share. The company is also planning a one-for-10 scrip issue.

The company limited comment on progress so far this year to a statement that both sales and profits were "improved."

It said negotiations were progressing with Armtech Corporation, of the US, for the acquisition of 80 per cent of shares for Armstrong Tire of New Haven, Connecticut.

Pirelli hopes to conclude the talks over Armstrong—which had sales of $478m in 1986—by the end of the year.

Aside from Pirelli SpA, the group's structure consists of Societe Internationale Pirelli, based in Basle, which has another 43 per cent of the group's tyre and cable companies, operating 130 factories in 16 countries.

Pirelli Societe Generale, also based in Basle, holds the remaining 14 per cent of the Pirelli group. The group has 68,000 employees.

For the whole of last year Pirelli announced an "aggregate" net profit of $141m, an increase of 39 per cent on 1985. Sales last year totalled $4.7bn, up from $3.7bn the year before.

MAN income up on higher turnover

BY HAIG SIMONIAN IN FRANKFURT

MAN, West Germany's biggest mechanical engineering group, *has raised group net profits by* 5 per cent, to about DM 130m ($72m). The group plans to pay a maintained DM 5.50 dividend.

According to preliminary figures, which are more optimistic than suggested when MAN reported its first-half results, group turnover for the year ended June rose to DM 14.8bn, *against DM 14.1bn*

In contrast to many other big German heavy industrial groups, MAN's foreign turnover rose substantially while domestic sales declined.

Home sales fell 10 per cent, to DM 6.9bn against DB 7.6bn last year, while exports soared 22 per cent, to DM 7.9bn against DM 6.5bn in 1985-86. *Exports now account for 54 per* cent of group sales, compared with 46.2 per cent last year.

However, MAN said its turnover this year was lifted by allowances for some older plant orders and by the continuing healthy demand for heavy vehicles.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Issuers concentrate on 'retail' currencies

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE US DOLLAR bond market hovered precariously about its recent lows yesterday, as sentiment continued to be depressed.

In subdued trading, the benchmark 30-year Treasury bond bounced off what is proving to be an important technical support point. That point, dealers say, is at a price of 91½, representing a yield of about 9.75 per cent and a 50 per cent retracement of the big bond market rally between 1984 and 1986.

The market slippage pushed the $1bn, three year deal for Italy, launched on Monday, to an even deeper discount than its 1⅞ per cent fees. Dealers said it dropped at one stage to *less 1.72 per cent bid, before* gaining a little at the close to less 1.65 per cent.

There was no substantial increase, however, of the 60 basis point margin over the three year US Treasury bond, at which the issue was launched, implying that lead managers Credit Suisse First Boston had managed to keep good control of the issue.

However, despite being billed as an issue which would be easily tradeable, some dealers remarked that there was little evidence of that yesterday.

The yen market continued weak after New York's retreat on Tuesday, while the D-Mark also retreated. Foreign bonds *fell* by an average of ½ point while domestic bonds fell by up to 90 basis points, reflecting sentiment in New York.

Much of the new issue activity was centred on so-called retail currencies, meant to be attractive to individual investors in Europe.

The largest was an Ecu 100m issue for Eurofima, the top-rated Swiss-based European rolling stock concern. Led by Credit Commercial de France, the five-year bonds carried an 8¼ per cent coupon and a price

INTERNATIONAL BONDS

of 101.5. Although the general background tone to European *bond markets was not strong,* the lead managers reported some interest from Japanese investors.

Swaps into floating rate dollars provided opportunities for two New Zealand dollar deals. The first issue, of NZ$50m for George Bruxelles Lambert, carried a three-year maturity, a 17¾ per cent coupon and a price of 101½ and was led by Banque Paribas Capital Markets. The issue was quoted outside fees for a time.

An inverse yield curve in New Zealand interest rates allowed a two-year, NZ-60m deal for Denmark to carry higher coupon, of 17½ per cent. Led by Mitsui Finance International, it was priced at 101½. The lead manager was bidding the issue at a price equivalent to the 1½ per cent fee discount.

Australian dollar bonds performed strongly after the Australian budget, but there was some feeling in Europe that the rally in the domestic bond market had been overdone. This rally might inhibit new Australian dollar issues, because it would imply a coupon below 13 per cent, which is not much of a premium over those prevailing in the Canadian market.

In D-marks, Oesterreichische Kontrollbank launched an Austrian state guaranteed five-year issue of DM 200m through Deutsche Bank. Thought by some to be somewhat aggressively priced, it carried a 5¾ per cent coupon and a price of 100¼.

Nippon Credit International launched a $150m issue for its parent, Nippon Credit Bank, $50m of which would be sold into Asia under the leadership of Nippon Credit (Hong Kong). The 15-year bond carries an indicated 1⅞ per cent coupon.

Sanwa International repackaged $68.35m of Sanwa Bank-*guaranteed ex-warrant bonds* into $50m of floating rate notes. The sole-purpose vehicle was given the name Flash 1, and carried a margin over London interbank offered rates of 21 basis points and a price of 100.1.

Yamachi International withdrew a proposed $35m equity warrants issue for Riken Vinyl Industry. The share price had been too volatile, fluctuating an extraordinary 30 per cent this month alone.

August bond issues show sharp decline

BY OUR EUROMARKETS STAFF

THE POOR condition of international bond markets during August was underlined yesterday by figures from the Organisation for Economic Co-operation and Development showing that bond issues totalled only $14.4bn last month, 20 per cent below the total in the same month of 1986 and down from $20.3bn in July.

The issuance of straight bonds at $7.1bn was the lowest since September 1985, the Paris-based organisation said, and the $1bn of floating rate notes consisted almost entirely of bonds repackaging outstanding issues. Equity-linked issues, however, continued to flow and *are running at an annual rate* of $46bn so far this year compared with $22.3bn in 1986.

Total borrowing an international capital markets was $18.9bn, $10.2bn below July and $3.5bn less than August 1986.

Though the syndicated loan volume at $3.5bn was low, the OECD said a number of large loans issues were being syndi*cated which should boost* volumes in months ahead.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	90¾	91¼	-0½	+0½	10.09
All Nippon Air 9⅝ 97	100	92⅞	92⅝	-0½	-1½	10.65
American Brands 8⅞ 92	150	95½	96	-0⅛	+0¼	10.03
A/S Eksportfinans 7⅞ 93	100	89⅛	89⅝	-0½	-0¼	10.10
A/S Eksportfinans 7¼ 92	150	91⅛	91½	-0¼	-0⅜	9.79
BP Capital 9⅞ 94	300	†96	96½	-0⅛	-2⅜	9.91
British Telecom 7⅝ 96	250	83⅞	84¼	-0¼	-1¼	10.46
British Telecom 8⅝ 94	150	93⅞	94⅛	-0⅝	-1¼	10.14
Campbell Soup 10⅝ 95	100	102⅞	103⅜	-0⅞	+0¼	10.19
Canada 9 96	1000	94⅝	94⅞	-0½	-0⅛	9.95
Canadian Pac. 10¼ 93	100	102⅞	102½	-0⅜	+0⅛	10.19
CCCE 7⅞ 91	133	91¼	92¼	-0⅜	+0⅝	9.56
CNCA 7¼ 91	250	92⅛	92⅝	-0⅛	+0¼	9.80
Citicorp 8¼ 93	200	†89	89½	0	+0¼	10.78
Credit Lyonnais 9 91	200	97⅞	98¼	-0¼	-0⅛	9.67
Credit National 7⅞ 92	100	91¼	91⅞	-0½	+0⅜	9.73
Credit National 7¼ 91	150	94	94½	-0⅜	+0⅜	8.92
Denmark Kingdom 7⅞ 92	500	90	90½	-0⅜	+0½	9.90
Denmark Kingdom 8¼ 91	300	†95¾	96¼	+0⅛	+1	9.53
EEC 7 91	100	91⅞	91¾	-0½	+0⅜	9.52
EEC 7¼ 93	250	88⅞	89⅝	-0½	+0¼	9.90
EEC 8¼ 96	100	88⅞	89⅜	-0⅜	+1	10.22
EIB 7⅞ 93	100	88¾	89¼	-0⅜	+0¼	10.06
EIB 9⅝ 97	150	94	94½	-0½	+0⅞	10.32
Finland 7⅞ 97	200	84⅞	85⅜	-0⅜	+0⅜	10.47
Finland 7½ 93	200	88⅞	89⅜	-0⅜	+0⅜	10.00
Ford Motor Cred. 10½ 91	150	101⅞	102⅜	-0⅜	0	9.83
Ford Motor Cred. 11⅞ 90	100	103⅞	104⅜	-0¼	+0½	9.33
Gen. Elec. Cred. 10¼ 00	200	†101½	102¼	0	+0¼	9.97
GMAC 8¼ 89	200	99⅛	99⅝	-0⅛	+0⅜	8.61
Hoesch 8¼ 97	100	88	88¼	-0¼	-0¼	10.24
Hoesch 7⅞ 92	100	92½	93	-0⅜	0	9.39
Hoesch 7⅞ 94	300	90	90½	-0¼	-0⅛	9.96
Liberty Mutual 8½ 96	150	89⅞	89⅞	-0¼	-0¼	10.34
LTCB of Japan 8 91	100	94⅞	94⅝	-0⅜	+0½	9.79
LTCB of Japan 8 97	200	†84⅞	85⅛	-0¼	+0¼	10.61
Mercds.-Benz Cred. 7½ 95	100	†91⅛	91⅝	-0½	-0½	9.47
Mercds.-Benz Cred. 8¼ 92	100	97⅞	98	-0½	+0⅜	8.86
Mitsubishi Fin. 7⅞ 93	100	88⅞	89	-0⅜	+0⅝	10.42
Mutual America 7⅞ 92	100	92	92½	0	+0¼	9.90
Norway Kingdom 7¼ 91	500	92⅞	93⅜	-0¼	0	9.50

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ashikaga Bank 2⅛ 02	4/87	996	107¼	108¾	-0⅜	-4.04
Asics 5 92 DM	12/83	472	155⅞	156¾	-3⅞	3.50
CBS Inc. 5 02	4/87	280	111⅞	112⅞	-0⅜	6.90
Chiba Bank 2⅞ 02	1/87	830	180	182	+2	3.61
Fuji Hvy. Inds. 3 00	8/85	676	158¾	160	-0⅞	-1.62
Fujitsu 3 99	5/84	1109	280¼	282¾	-1¼	-0.21
Gunma Bank 2⅞ 02	4/87	888	128⅞	129⅞	+0⅞	-3.65
Minolta Camera 2¼ 94 DM	2/86	1385	98¼	99¼	-0⅞	54.87
Mitsui Trust 2⅞ 01	10/86	1998	134	136	0	1.22
Murata 3½ 00	7/84	1998	267½	269½	-6½	-0.51
Nippon Elec. 2⅞ 00	1/85	1295	283½	284½	-7½	-1.49
OKI Elec Ind. 3½ 99	10/84	885	†189	190½	+1	3.71
Omron Tateisi 2⅝ 02	4/87	1350	135⅞	136⅞	+0⅜	5.98
Redland 7¼ 02 £	1/87	5.5	†106½	107½	0	20.84
Yokohama Bank of 2⅝ 01	10/86	3845	160½	162½	-6½	-8.39

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Alexander Nicoll and Stephen Fidler on the securitisation of Third World debt

Finance ministers in search of a discount

BRAZIL'S PROPOSAL to convert half its $68bn debt to banks into securities, ruled out of court last week by Mr James *Baker, the US Treasury Secre*tary, is the biggest example yet of a troubled debtor seeking to benefit from the steeply discounted prices in the secondary market for Third World loans.

Borrowers dealing with creditor banks and governments are expected to service them fully, paying interest on the full value of the debt. But they see *banks themselves effectively* treating them as worth less than full value by trading in them at well below the face amount. Brazil's trades at 55 per cent of face value.

Finance ministers who deal with creditors along conventional lines, negotiating rescheduling packages typically involving agreements with the *International Monetary Fund* and reschedulings and loans at interest margins above money market rates, are finding this approach increasingly unacceptable at home.

The handling of the debt problem played an important role in the recent electoral setback of President Raul Alfonsin in Argentina, as well as in yesterday's departure of Mr Jaime Ongpin as the Philippines' Finance Minister. Domestic opposition has so far prevented any rapprochement between Brazil and the IMF.

Hence the desire to "capture" the discount through a range of proposals which have come from several debtor countries.

Some proposals, like Brazil's, involve securitisation. What all the ideas have in common is that they would reduce the debt service burden on borrowers through differing degrees of debt forgiveness which, whether deliberately or not, would force participating banks to realise losses.

Banks will continue to object to forced securitisation. They argue that securitisation by itself solves nothing, especially if it does not involve the introduction of a World Bank or other guarantee. It should be designed to create a genuine market in which investors other than existing creditor banks can participate, they say.

M/C 2 8/8½

The concept is likely to be discussed closely at the annual meetings of the IMF and World Bank later this month, with Mr Kiichi Miyazawa, Japan's endorsing converson schemes as a means of easng debt burdens on the grounds that the debt problem had deteriorated.

Two main methods of converting debt have so far been tried.

The *first is* debt-to-equity swaps, in which banks sell their loans at the discounted price but received in return close to the full value in local currency for equity investment in the debtor country. Some $6bn face value of debt has so far been *converted, of* which more than a third was in Chile.

Borrower countries are concerned about the economic effects of such swaps, which could inflate domestic money supply. Swaps may also appear as a cut-price investment route.

The second method is bonds issued as part of the "menu of options" approach, designed to *include alternative* financing means.

Argentina's recent deal included two types of bonds: "new money" bonds in which banks could put up $1m each of the new $1.95bn loan requirement in the form of bonds carrying the same terms as the loan; and "exit bonds," 25-year, 4 per cent bonds which would excuse *accepting* banks from involvement in future packages.

Though the first was taken up quite enthusiastically, exit bonds were not. Very few banks were persuaded to take thme, with the remainder apparently deciding that it was more attractive to hang on to their existing loans.

Brazil's initial proposal for long-term, low interest bonds was specifically designed to take account of the discount, though not fully—Brazil accepted banks' argument that the secondary market, which is extremely thin, exaggerates the deterioration of loans' value.

Brazil's agreement to make its securitisation proposal voluntary effectively makes its plan very similar to the Argentine exit bonds, though Brazilian officials have acknowledged the need to make them more attractive to banks.

Another suggestion for capturing the discount has come from Mexico, which is flush with funds after winning a $7bn loan from banks earlier this year and benefiting from a rising oil [illegible] and a return of flight capital.

Mex[illegible] talked of using some of its $15bn reserves to buy back loans on the secondary market—thus reducing both the outstanding principal and the interest burden. Bolivia also has a buy-back scheme in pro*gress though it is viewed as a* special case.

This potential use of foreign exchange reserves is politically sensitive in Mexico. It also poses thorny problems for banks, since buy-backs from individual banks would break the sharing clauses of loans which stipulate that money available to creditors should be shared out among them all.

Leading bank creditors feel the country should instead reward banks which have continued to lend to the country, by not fully drawing down the $7bn loan.

The discounted prices, and the growing desire of debtors to benefit from them, challenge the banks' premise that the conventional handling of the debt crisis was designed to restore borrowers' access to the capital markets.

Colombia to allow debt swaps

COLOMBIA IS planning a programme which would allow creditors to convert their loans to certain nationalised banks into equity, Mr Luis Fernando Alarcon, the country's Finance Minister, said yesterday.

Mr Alarcon, in London as head of a delegation to support its attempts to secure a $1.06bn loan from international banks, said the country had no plans for a formal debt-to-equity programme. But legislation to allow foreign creditors to use debt-to-equity swaps in the banking sector should be passed this year.

The four banks primarily concerned include Banco de Colombia, once the country's largest commercial bank, and was taken over in the 1985 Colombian banking crisis. The government's aim is to privatise the banks and inject new capital.

The $1.06bn in new loans include a $260m borrowing for the state coal company Carbocol and the $200m bank portion of a World Bank co-financing for Financiera Electrica Nacional, the public utility. A facility fee of ¼ per cent, a drawing fee of ½ per cent, and an interest rate of 1⅛ over London interbank offered rates is payable on the financing. The loans are repayable over 10½ years with 5½ years' grace.

Mr Alarcon said he hoped the agreement would be signed in November, clearing the way for a partial drawdown of funds before the year end.

Colombia, which has not rescheduled its debt, is currently seeking a $1.06bn loan from banks, though its debt changes hands among banks at some 80 per cent of face value. Though this discount is considerably less than most other Latin American debtors', it is paying a higher spread at 1⅛ percentage points than the 13/16 of Mexico and Argentina.

Like other governments, that of Colombia is under pressure at home to take a tougher line with the banks. Finance Minister Mr Luis Fernando Alarcon *said* yesterday that Colombia still intended to preserve good relations with banks, but would keep a close watch on margins being gained by other borrowers.

Austrians braced for financial revolution

By Judy Dempsey in Vienna

SATURDAYS ARE sacred in Austria. The shops close by noon, the pace slows down even further and Austrians retreat to the mountains or to their weekend homes.

But this Saturday, a little revolution will take place. For the first time in its history, *the doors of the Vienna boerse,* or stock exchange, will be flung wide open to the public.

The step is most unusual—indeed, it is out of character with the Austrian bureaucracy and with the thousands of officials who are closeted inside dark, imposing buildings, more content with paperwork than meeting the public. The *boerse* is up to something. "We are looking for business," says Mr Ulrich Kamp, the *boerse's* general secretary.

The exchange is looking for business and buyers because, as part of the government's privatisation plans, several large state-run Austrian companies are to be sold to the public. The management is ready for the extra business.

As part of a long-term modernisation and automation programme, the exchange's management is about to instal two new systems — the order routing system and Pats, (partly assisted trading system).

"We are not installing this because of the privatisation programme; this has been in the pipeline for some time," says Mr Kamp.

In spite of the *computerisation,* there are a few anxious faces around the *boerse* hoping the buyers will mate. Officials reckon that foreign investors, who woke up to the existence of the Vienna stock market only in 1985, will continue to make a considerable impact, now that the Austrian Government has changed its legislation so as to allow foreigners to buy and sell shares.

That fresh interest in Vienna partly explains why trading topped Sch 300m ($23.5m) one day last July—a lot of volume for a small exchange, whose average daily turnover is only around Sch 50m.

So what volume can the *boerse* expect in the coming months, when such names as OeMV, the profitable Austrian oil company, will be partly sold off along with the profit-making Austrian Airlines?

Mr Kamp and his colleagues think that foreign interest can be sustained; if not increased. The problem, as he sees it, is attracting the Austrian man in the street. "They are afraid to take risks, afraid to invest their money in shares, and unaware that they can gain from it."

That is one of the main reasons for opening the doors on Saturday. "We want to show ordinary Austrians that we exist, and what we work at, and what we are all about," says Mr Kamp.

But *surely one open-door* day will not be enough to change the Austrian mind?

"No." says another official. "That means we might even think of advertising."

The little revolution might gather momentum after all.

Three-year bear instrument from Chase

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the US banking group, has realised the bearish speculator's perennial dream—to bet on a declining stock market with no risk of any principal loss.

With the help of two leading Wall Street securities houses, Chase has introduced a financial instrument which has an income tied to any fall in Wall Street's main market index, but a principal value that is guaranteed to be repaid in full, with modest interest, after three years.

The new instruments are described as 2 pen cent Reverse Standard & Poor's 500 Index Notes and were instantly dubbed "reverse spins" for short. They will pay a guaranteed interest rate of two per cent annually and be redeemed at par in September 1990.

In addition to the guaranteed interest, note holders will receive on maturity a contingent interest payment equal to more than three times any fall in the S&P 500 over the next three years. The precise calculation for the contingent interest payment is 376 per cent of the decline in the S&P 500 beyond the first two per cent of any such decline. Thus if in September 1990 the S&P 500 is 12 per cent lower than it was this week, the reverse spins holder will receive additional interest of 3.76 times 10 per cent, or $376 for every $1,000 invested.

For Chase, which issued $50m worth of the new securities on Tuesday through Salomon Brothers and Donaldson Lufkin & Jenrette, the reverse spins are the latest step in an extensive programme of capital market innovation based around equity-index instruments.

The reverse spins will be breaking new ground because they are believed to be the first bear-market linked instruments with a maturity as long as three years. Hedging in the futures and options markets becomes more complex and expensive as the period of the hedge is lengthened. Nevertheless, the bank believes that it has found a satisfactory hedging formula for its new reverse spin obligations and that these will represent a cheap and attractive source of funds.

UK COMPANY NEWS

Coats Viyella surges to £81m with margins up

IMPROVED margins are reflected in the 25 per cent increase from £65m to £81m in pre-tax profits of Coats Viyella, the textiles group, for the half year to end June. Turnover for the period fell slightly from £827.3m to £815.1m.

The directors said that for the year as a whole planned capital expenditure would be around £100m as the group continued to invest in new plant and technolgy in its businesses around the world.

Already benefits from this were in evidence in the form of improved margins while better performances in certain hitherto difficult areas would further enhance profits. Further benefits had still to be seen from the merging of Vantona and Coats Patons groups.

They said that the present and anticipated generation of a healthy positive cash flow would permit flexibility with regard to acquisitions in certain key areas both in the UK and abroad. Nil gearing was anticipated by the year end.

Affecting the second half will be the disposal of the group's 54 per cent interest in Bonds Coats Patons, Australia. After the buy-back of 100 per cent of the thread and handknitting divisions of that company, £35m net cash had been released which would give rise to an extraordinary gain in excess of £20m. The deal would also enable generation of higher attributable earnings for the group from its Australian activities. Hand knitting profits of the group generally were down last year but the group maintained its share of the market.

The offer for Youghal Carpets had been declared unconditional but no contribution was anticipated for 1987. The group's interest in Consoltex Canada had increased from 49.7 per cent to just over 50 per cent and consequently results for the second half would be consolidated rather than treated as a related company.

Operating profit in the first six months was £78.4m (£68.5m); net interest payable and investment income amounted to £1.9m (£6.7m) while the share of profit of related companies came to £4.5m (£3.2m). Tax took £22.7m (£19.6m) and minorities £3.8m (£3.7m) leaving stated earnings per 20p ordinary of 10.4p (8p). There were no extraordinary items this time (£14.9m).

The interim dividend is increased from an adjusted 2.25p to 2.7p.

See Lex

UB wins US soft-cookie war and advances profits to £59m

BY CLAY HARRIS

UNITED BISCUITS, the food and restaurant group, will today seal its victory in the US soft-cookie war with the purchase, at a knock-down price, of a factory owned by its leading rival in the sector, Procter & Gamble.

Keebler, UB's biscuit and snacks subsidiary in the US, is to pay about $18m (£11m) for the plant at Jackson, Tennessee. The deal includes machinery which has not been uncrated or even delivered from suppliers. The assets are estimated to have a total value of $150m.

Procter had announced in June that its Duncan Hines subsidiary would retreat from the sector, in which Keebler's Soft Batch brand is now the firm leader with one-third of US sales.

"The cookie war is over," Sir Hector Laing, chairman, declared yesterday as UB reported pre-tax profits of £59m in the 28 weeks to July 18, a 24 per cent increase over the £47.6m achieved in the comparable period of 1986.

Turnover rose by 4 per cent to £997.7m. Improvements in market share and profits were clouded only by a dive into loss by Pizzaland, the UK restaurant chain, and a decline at Speciality Brands, the US spices, salad dressing and olives company.

By division, UB Foods Europe increased operating profits by 35 per cent to £43.8m on sales 4 per cent higher at £499.8m; restaurants' profits fell 17 per cent to £2m on turnover the same percentage higher at £66.2m; UB Foods US increased profits by 6 per cent to £22.5m on sales 2 per cent ahead at £403.3m; and other companies increased both profits and turnover by 7 per cent, to £1.5m and £58.9m respectively.

In Britain, UB claimed 48.5 per cent of biscuit sales, nearly 1 percentage point higher than last year, and lifted profit by nearly a quarter. Its share of the branded market rose to 49.7 per cent.

KP Foods, the snacks and peanuts subsidiary, also made strong advances in market share and profits.

Pizzaland's fall from a £1.2m profit to a £700,000 loss more than offset a 76 per cent improvement to £3m at Wimpy. Although Pizzaland sales rose by 16 per cent, the chain has undergone a management shake-up and investment programme under Mr Ian Petrie, who led the revival at Wimpy. The full-year result, nevertheless, is unlikely to exceed the £5.2m profit achieved in 1986.

Keebler's success was not limited to soft cookies, as it increased its share of the total US biscuit and snacks market. Operating profit rose by 13 per cent to £17.9m.

This was undermined, however, by the increased competition faced by Specialty Brands and by the weakness of the dollar, which reduced the total US contribution by £1.5m.

Although UB was seeking acquisitions, especially in the US, Sir Hector said that the group was unlikely to pay the current asking prices which implied p/e ratios of 20 to 25.

Interest costs fell to £6m (£6.3m). The tax charge of £20.2m (£15.7m) was at a slightly higher rate than in 1986. With earnings per share ahead by 22 per cent to 9.5p (7.8p), the interim dividend is to rise by 14 per cent to 4p (3.5p).

● comment

A 12-year bull market is not the best context in which to consider the merits of such an archetypal defensive stock, but UB's relative trend of sideways to down against the FT All Share cannot be explained away that easily. It has simply not been able to get all cylinders to fire at once—a serious problem in markets where progress is achieved slowly but bad news can create holes overnight. Only in UK biscuits and snacks is UB assured of unchallenged leadership in every sense of the word. As General Keebler sits down to accept close-to-unconditional surrender (after the bitter Dunkirk of 1984-85), new problems flare up elsewhere. The future of Specialty Brands must be under the closest scrutiny. UB can stretch to achieve £150m pre-tax in the full year. With the shares down 4p to 318p, the prospective p/e approaches 14—in line with realistic expectations.

Woolworth at lower end of forecasts

WOOLWORTH HOLDINGS yesterday announced interim pre-tax profits, excluding property disposals, of £27m. The figure, 34 per cent up on last year's £20m, was at the lower end of analysts' expectations.

Mr Geoffrey Mulcahy, chief executive, also said the company was considering a change of name, although no decision had been made. He continued his refusal to comment on speculation that the group is considering a bid for the Storehouse group.

The group's star performer in the six months to August 1 was B and Q, the DIY retailer which lifted retail profits by 30 per cent to £27m. But Woolworth said that all divisions of the group increased market share.

Growth in earnings per share, up from 4.8p to 5p, was depressed by the absence of property disposal surpluses which contributed £3m in the first half of 1986. Without the property contribution the 1986 earnings would have been 4p.

Retail profits rose 77 per cent from £13.5m to £23.9m on turnover up from £814.6m to £892.6m. Property income was £19.7m (£24.8m) and interest charges were £16.5m (£15.1m).

Mr Mulcahy said that B and Q, where sales advanced from £250.6m to £307.1m, had added ½m sq ft of extra space but there had been substantial growth of sales in existing outlets. Market share had risen by a percentage point.

F. W. Woolworth cut losses from £8.6m to £6.2m on sales of £372.8m (£426m). It lost £250m in sales from the withdrawal from food and clothing but maintained sales per sq ft partly through gains in several key focus areas. Toy sales rose 68 per cent, entertainment sales items by 30 per cent and children's clothes sales by 38 per cent.

Comet, electrical retailer, increased market share from 6 to 7 per cent. It achieved profits of £3.5m (£3.2m) on sales of £147.3m (£136m).

Superdurg, bought earlier this year, contributed three-month profits of £3.4m on sales of £57m. The rate of store growth has been accelerated with 60 planned for this year, 48 in the second half.

The property division opened 690,000 sq ft of retail space and this pace of expansion is expected to continue. Mr Mulcahy said the aim was to make the property portfolio more active and increasing profits could be expected from it. Woolworth lifted the dividend from 2.5p to 3p. The tax charge was £7.5m (£6m).

● comment

The market seemed unsure how to react to these figures yesterday, first marking the shares down 9p, then lifting them to 356p, a 14p rise on the day. Part of the problem was judging the old F. W. Woolworth because of the ending of food and clothing sales and the increasing importance of second half sales. The "focus" strategy is clearly going well in some products but the management gave no figures for the homes/gardens and looks (toiletries and cosmetics) lines, both of which are to be relaunched. Meanwhile growth at B & Q continues at a hectic pace and Superdrug looks good value. At Comet the move upmarket is paying off in improved margins but the company now has to boost volumes. For this year, the City is expecting pre-tax profits of £145, implying a p/e of about 16. Following the recent underperformance of the shares, the downside seems limited but speculation about whether Woolworths has eyes for Storehouse will restrain growth.

David Lascelles on Crownx's move in the Mercantile House saga

Creating a thorny takeover issue

John Gunn (left), chief executive of B & C, and Gary Klesch, chairman of Quadrex.

YESTERDAY'S dramatic intervention by Crownx in the takeover of Mercantile House by B&C threatens to transform it into one of the most complicated deals seen in the City of London for some time—always assuming it can go ahead. The offer is highly controversial and raises key points under the Takeover Code which will have to be decided today.

The basic aim of Crownx is relatively simple: it wants to buy Marshalls and William Street, the two broking units of Mercantile House which B&C does not want. But to achieve that aim Crownx will have to persuade the Takeover Panel that its tactics are acceptable. Then it must succeed in winning support from Mercantile shareholders at a meeting next Monday.

Shortly after B&C announced its £545m bid for Mercantile House in July, Mr John Gunn, its chief executive, agreed to sell the broking units to Quadrex, the financial services firm owned by Mr Gary Klesch. However, that deal was conditional on Mercantile House shareholders approving the sale of the units before the takeover was consummated. The managers of the units, Mr Michael Warren of Marshalls and Mr Vincent Griffo of William Street in New York, did not want to be bought by Mr Klesch, and have been seeking alternatives.

Crownx, which is a Canadian health-care and financial services company with ambitions to get into the global markets, bought 14.9 per cent of Mercantile House last January, but stood on the sidelines in the early part of the bid. When the B&C-Quadrex deal was announced, Mr Warren and Mr Griffo urged Crownx to consider making some kind of counter-offer. This is the offer which has now emerged. But in order to get into the game at this late stage, Crownx is having to use some highly unusual tactics.

Advised by its merchant bankers, Kleinwort Benson, it is offering the same amount for the two units as Mr Klesch — £280m in cash. But in order to encourage the shareholders to approve their deal rather than Mr Klesch's, they are also offering to pay shareholders 10p for every share they own.

The vote on the sale of the units is due to take place on Monday, so Crownx have only a minimal number of working days to get its message across, though Mercantile could always adjourn the meeting.

If the shareholders approve Crownx's offer, then Mercantile will sell the units directly to Crownx, and the B&C agreement with Quadrex will lapse. B&C will take Mercantile over, complete with the £280m sale proceeds. If the shareholders do not, then B&C will proceed, as planned, to take over Mercantile House and sell the units direct to Quadrex.

Insofar as Mercantile's shareholders are concerned, the advantage of approving the Crownx deal is that they get 10p for each of their shares, in addition to the 575p being paid by B&C. The choice is largely a matter of indifference to B&C, which owns 14.9 per cent of Mercantile, because it will either receive the proceeds of the sales from Mercantile after the takeover, or by selling them directly itself. The only advantage is that B&C would also qualify for the 10p a share payment if the sale to Crownx goes through.

This all assumes, of course, that Crownx will be allowed to proceed with its offer. And Mr Klesch and his advisers, Samuel Montagu, were arguing fiercely to the Takeover Panel yesterday that it must be stopped. Words like "grotesque" and "travesty" were being tossed about.

The issue is whether the kind of "sweetener" used by Crownx is an acceptable tactic for a counter-bidder.

Crownx could have simply offered a higher price for Mercantile's broking units in order to outbid Mr Klesch. But that would have meant that B&C would have ended up with even more cash, while the shareholders got nothing extra. Mr Bob Deyell, director of Crownx, said "We wanted to be able to do something for the shareholders." So Crownx is effectively distributing the money that would have gone into a higher bid in the form of a pay-out to each shareholder.

The Klesch camp sees it quite differently. To them, the 10p is quite simply a bribe to get shareholders to accept Crownx's offer and turn down a deal which has already been approved by Mercantile's board on the advice of S. G. Warburg, its financial advisers. Mr Clive Chalk of Samuel Montagu said there would be "absolute mayhem" in the takeover market if this sort of tactic were permitted.

Technically, Montagu was trying to claim a breach of Rule 16 of the Takeover Code which forbids offerors from making so-called "sweetheart" deals with selected shareholders of the offeree company, specially in cases where a shareholder intends to buy part of a company that is being taken over.

But the issue is clearly a major one, and it seemed certain last night that there will be a rumpus whichever way the Panel decides.

Crownx is a Toronto company active in health care, financial services and information technology. The bulk of its business is in the US where it ranks among the largest private sector health-care companies with 25,000 beds. Its financial interests include life insurance, trust banking, financial counselling, merchant banking and mutual fund management.

The company now wants to expand into the global financial services business, according to director Mr Bob Deyell. But rather than compete head on with the financial giants, it is aiming for specialist niches. I has identified moneybroking as a profitable and growing business.

Last year, Crownx earned $C48.6m (£22.8m) before extraordinary items, and at year end its shareholders equity was $C867m. If the Mercantile deal goes through, it will mark the company's first acquisition outside North America, and a sign of its growng ambitions.

Warringtons in property deals and £3.8m cash call

BY DAVID WALLER

Warringtons — the building contractor formerly known as Thomas Warrington—yesterday continued its process of transformation with the announcement of three acquisitions, a one-for-one rights issue and the disposal of certain property assets.

At the same time, the company announced a pre-tax loss of £855,000 for the six months to the end of June—but predicted that it would break into profit in the second half before taking into account redundancy costs.

Warrington is to pay a total of £2.65m in cash and shares for two separate property portfolios, the Heysham industrial estate in Lancashire and a freehold office block in Gibraltar, and for the Lister group of four private companies based in Kent.

The rights issue will raise £3.8m before expenses, and the company's equity will in total more than double. The property disposals will raise £1.5m which will be used to reduce the company's borrowings.

These deals will increase the company's exposure to property development and investment, in line with the new management's stated policy of diversifying away from loss-making public sector contracts in the North-west.

They follow the £1.2m acquisition of Emery (Halesowen), the West Midlands property developer in February

"The acquisitions will provide the foundation for the future development of Warringtons," said Mr Graeme Jackson, chairman, who joined the board last summer and introduced a new management team earlier this year.

All public sector contracts will be completed by November, and in future the company will limit its exposure to the construction market to design and build projects in which it has a financial interest.

Turnover for the half year was £8.8m. Operating losses of £688,000 were exacerbated by running down of general contracting while being obliged to carry full overheads during the process.

Warringtons' shares fell 8p to close at 160p.

Cost of raw materials hits Kalon in first half

A NEAR £1m drop in pre-tax profits at Kalon Group, Batley-based paint manufacturer, was blamed, in the main, on increasing raw material costs. These were not covered by price increases in the same period, the directors said.

Pre-tax profits were down from £1.54 into £556,000 in the six months to June 30 1987. Group turnover rose from £37.32m to £42.59m, with the UK content increasing from £33.09m to £36.81m.

Mr L. H. Silver, the chairman, said he expected the group to continue to fall short of last year's performance when pre-tax profits amounted to £4.92m (£2.79m). However, he believed the action taken would establish a trend of improvement which would flow through into 1988.

The board intended to recommend an appropriate final dividend in the light of the group's full year results. In the meantime no interim dividend is being paid compared with 0.46p net last year. Stated earnings per 15p share fell from 0.86p to 0.31p.

Since the annual meeting, Mr James McDonald has been appointed a director in addition to Mr Douglas Payne (group financial director) and Mr Mike Hennessy. It is intended to further strengthen the board by the appointment of a non-executive director.

McLaughlin & Harvey rises

McLaughlin & Harvey, Northern Island-based USM-quoted builder and civil engineer, reported pre-tax profits up from £314,000 to £673,000 in first half of 1987. However, the company made a provision of £295,000 on a full-year trading loss in the Irish Republic in 1986.

An extraordinary charge of £273,000 related to a High Court judgment

After tax of £218,000 (£130,000) earnings per 25p ordinary share rose from 4.6p to 11.2p. The directors declared an improved interim dividend of 2.5p (2p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Addison Consult'cy int	0.9	Nov 10	0.8	—	2.5
Banro ....int	1.9	Nov 2	1.8*	—	6.4*
Bellwinch	1	Nov 13	—	—	—
Bilston & Battersea int	1.5‡	Oct 30	—	—	0.7
Blockleys ....int	2.7	Oct 14	1.57*	—	4.3*
Bonded Laminates int	1	Nov 20	—	—	—
Bridon ....int	1.5	Nov 6	1.5	—	5.5
Candover Invests ...int	3	Oct 29	2	—	7
Coats Viyella ......int	2.7	Jan 1	2.25*	—	7.25*
DRG ....int	4.1	Nov 23	3.65	—	9.35
Matthew Hall ......int	1.88	Nov 6	1.75	—	5.25
J. Hewitt ....int	1	Nov 4	1	—	5
Hollis ....int	1	—	—	—	1
Huntleigh Tech ...int	0.5	Oct 30	0.5	—	1
Jones & Shipman ...int	1.15	Oct 16	1.15	—	4.15
Kalon ....int	nil	—	0.46	—	1.38
Legal & General ...int	3.8	—	3.25	—	9.75
M6 Cash & Carry ...int	1.06‡	—	1.06	—	3.55
Hugh Mackay ......int	2†	Nov 20	1.5	—	5.5
M'cL'hlin & Harvey int	2.5‡	Nov 6	2	—	7
Miss World ....int	2‡	Nov 2	1.5	—	6
Mucklow	3.38	Jan 4	3	5.94	5.4
Pittard Garnar ....int	1.75	Jan 4	1.12	—	5.12
Sanderson Murray ...	5	Oct 27	4.5	5	4.5
Sun Life ....int	11.44	—	10.4	—	28.5
United Biscuits ......int	4	Jan 6	3.5	—	9.5
Wills ....int	2	Nov 5	2	—	8
Wilson Bowden ...int	1.3	Nov 5	—	—	—
Woolworth ....int	3	Nov 4	2.5‖	—	8‖
Wyevale Garden ...int	0.73‡	Oct 28	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Adjusted for subdivision.

L & G increases interim profits by 25% to £36m

BY NICK BUNKER

Legal & General, one of the UK's biggest life assurance groups, raised pre-tax profits by 25 per cent to £35.7m in the six months to June 30, helped by underlying improvements in its non-life results and the strength of world equity markets.

L and G declared an interim dividend up 17 per cent at 3.5p. The shares closed unchanged at 327p. Analysts' forecasts ranged from £30m to £42m.

On the life side, L and G showed a 16 per cent jump in the gross surplus attributable to shareholders, which reached £27.4m. Banner Life, its US operation reported a fall in pre-tax profits from £3.8m to £3m, but L and G said it was now experiencing "an accelerated level" of sales.

Worldwide, the profit from non-life business was £5.4m against a £2.7m loss in 1986.

On UK non-life business, L&G said UK premium income was up 17 per cent to £115.2m, with the interim underwriting loss slightly down at £6.4m. This was achieved in spite of a doubling of winter weather damage-claims to £17m. In the second quarter, several years of rate increases helped L&G to a UK underwriting profit.

For the group, profits attributable to shareholders were £27.6m (£23.4m) after tax of £7.5m and a £600,000 payment into the employee profit sharing scheme.

● comment

A taciturn outfit, shy of expressing even cautious optimism, L and G has grounds for satisfaction with its record at the half-way stage. More to the point, with a UK life fund with assets of perhaps £2bn in excess of its actuarial liabilities, it should have little problem funding the higher levels of policyholders' bonuses inaugurated by last March's annual declaration. That should help it in the harsher competitive era after the Financial Services Act. Also—another sign of change in the life assurance world—L and G has already taken a healthy £500,000 in pre-tax profits from Fairmount, the up-market British intermediary firm it bought this spring. Like Sun Alliance, L and G also triumphed over big weather claims on its non-life side, and can expect some good years from Victory, its re-insurance subsidiary. Since p/es are only crude measurements of a life company's attraction to stock market investors, the best indicator is the prospective gross yield of 4.8 (assuming a full-year dividend of 11.5p): L and G looks cheap on this basis.

Sun Life Assurance dividend disappoints

BY ERIC SHORT

Sun Life Assurance Society yesterday announced a 10 per cent increase in its interim dividend from 10.4 per cent to 11.44 per cent — an increase that disappointed the market.

The company makes the usual statement that the percentage increase should not be regarded as a guide to the size of the year's total dividend.

However, the significance of this statement to the market is that shareholders can expect a far higher increase in the final payout. The market is looking for a 15-20 per cent increase for the whole year.

The rise of ½ to 12½ in the share price reflects the market expectation of the overall dividend increase. It feels that the company is keeping its options for higher payouts open to the final stage to counter any moves that its largest shareholder, TransAtlantic, might make.

Sun Life, like all life companies, only assesses its profitability at the year end following the actuary's valuation. So the only guide to the financial health of Sun Life is its new business growth and prospects.

The half-yearly new business figures, already published, showed a useful increase in new annual premiums from £28.1m to £31.5m and trebled single premiums and unit trust sales to £492.6m.

The company indicates that new business growth has been satisfactory in July and August.

Sun Life intends to be a major pension provider in the new pensions environment which comes into being next year—it has already started its sales and marketing campaign for group money purchase pensions. And it intends to be a major player in the new personal pensions field.

Greenwich launches £15m bid for United Goldfield

BY DAVID WALLER

Greenwich Resources — the small minerals prospecting company whose major asset is the Gebeit gold mine in the Sudan —yesterday launched an A$34m (£15m) share offer for United Goldfield, an Australian gold company whose shares are traded on the Australian Stock Exchange.

At the same time, Greenwich announced a 1-for-5 rights issue to raise a total of £14.25m after expenses, the proceeds of which are intended to finance the cash alternative to the share offer, which values United at $32m (£14.3m).

Greenwich intends to maintain United's listing and use the company as a base for expansion in Australasia and the Pacific Basin. At present, United is managed "passively," according to Greenwich, and most of its income is derived from a 12½ per cent stake in the Paddington Gold Mine, one of Australia's larger gold producers.

United's net profit before tax was A$2.1m for the year to the end of June. In 1985-86, Greenwich turned a pre-tax loss of £227,000 into a profit of £302,000.

The rights issue is not conditional on the success of the offer, and Greenwich intends to use any surplus cash to accelerate its exploration and development activities in Venezuela and Egypt.

Australian takeover rules forbid potential bidders from holding informal discussions with takeover targets prior to launching the formal offer, but Greenwich said yesterday that it was hopeful that it would win management's backing for the offer.

Shares in Greenwich were suspended on Tuesday at 404p, giving the company a market capitalisation of £88m. The new shares are being offered at 335p.

Falcon seeks re-listing

BY LUCY KELLAWAY

Falcon Resources, the US oil company which has had its shares suspended on the London market since 1985, announced yesterday plans to return to the market in November with a £3m rights issue.

The company said the issue had been conditionally underwritten, and that £500,000 had already been advanced to cover immediate working capital needs. As a part of the deal Falcon will acquire for shares the 75 per cent of the 1984 drilling programe of its one third owned associate, Falcon-Andrau Energy Company, which it does not already own.

Defaults on this drilling programme nearly resulted in the compulsory liquidation of Falcon earlier this year. In July Falcon announced that it had reached a private settlement with Falcon Andrau and Owl Creek, a fellow oil independent involved in the programme, involving an exchange of assets. It said that it had raised $3m to enable it to complete the programme.

Brown and Shipley, the company's merchant bank advisor said that details would be sent to shareholders once the company's accounts for 1985, 1986 an dthe first half of the current year had been audited, and when the company's reserves had been assessed by independent consultants.

Dwyer buying portfolio

Dwyer has conditionally agreed to purchase a property portfolio for £10.75m, to be satisfied by the issue of 2.92m shares and £2m cash.

The seller is Authority Investments. Of the shares, 2.67m are to be placed on behalf of Authority at £3 each to raise £8m, and Dwyer shareholders are to be offered a clawback over the entire issue in the ratio 71 for every 200 held.

The portfolio comprises six freehold properties, primarily offices and retail, with a current income of £871,000 annually. It is intended to retain the Wood Green office block (value £6.1m) as an investment, and the remaining properties would be added to the dealing stock.

OCF sells its stake in Victor Products

Overseas Corporate Funds, the Sydney-based investment company headed by Mr Geoffrey Hill—a former chief executive of Morgan Grenfell Australia—confirmed yesterday that it has sold its 5.4 per cent stake in Victor Products, the Tyneside-based industrial and mining equipment company.

Earlier this week, NEI—the larger neighbour of Victor—announced that it had an increased holding—up from 11.1 per cent to 16.58 per cent.

OCF bought the bulk of its interest back in July when Victor shares were trading at the 120p level. Yesterday they closed 2p lower at 163p.

Hollis services to be floated

BY CLAY HARRIS

IN yet another shake-up of Mr Robert Maxwell's multifarious business interests, Hollis — his original engineering vehicle — said yesterday that it planned to float as a separate company its professional and financial services division.

A separate stock market listing will be sought for the new company, which will be spun off to Hollis shareholders. It was unclear last night whether Hollis would retain any direct holding or if any new capital would be raised.

Hollis announced the plan with its interim results, showing a quadrupling of pre-tax profits to £4.44m (£1.02m). The group's fluid composition makes meaningful comparison with previous—or future—periods difficult to achieve.

Only last month, Holils sold its security printing publishing interest for £25m to British Printing and Communication Corporation, also controlled by Mr Maxwell. The businesses had been acquired from Pergamon Press in August 1986 as part of a previous re-organisation, which also brought Hollis some of the activities which are now to be floated.

Turnover more than trebled to £111.5m (£33.2m) in the first six months. Operating profits from professional and financial services rose to £2.33m (£1.2m) those from Hollis Industries—the engineering division—soared to £4.88m (£628,000).

Of the engineering activies—now returning to their core position—Hollis said that A. M. Lock and Floform had achieved record profits, Stothert and Pitt had returned to the black (and taken Ransomes and Rapier under its wing as a subsidiary).

The company said that it was committed to rapid expansion through organic growth and further acquisitions.

Fully diluted earnings per share trebled to 3.9p (1.3p). Hollis is to pay an interim dividend of 1p (nil) and forecast a final of at least 2p (nil). Hollis shares gained 17p to close at 145p.

Pittard Garnar makes £3.8m midway

BY NIKKI TAIT

Shares in Pittard Garnar — the merged leather group which finally evolved from the bid battle last May between Hillsdown Holdings and Pittard over *Garnar Booth* — yesterday jumped 17p to 372p yesterday as the company unveiled pre-tax profits of £3.8m in the six months to July 3, on turnover of £86m.

The figure was at the upper end of City predictions and would have compared with a total of £1.36m had the two companies been combined in the six months to end-June 1986. At the earnings per share level, Pittard Garnar produced 11p in the first half of 1987, against 9.2p for Pittard alone in the first six months last time.

Lying behind the merger accounting treatment, however, is both a sharp profits recovery at Garnar and a strong continued advance at Pittard. Garner, which slumped to a £378,000 loss before tax in the first half of 1986—blamed unhelpful exchange rates, a strike at New Zealand abbatoirs and Chernobyl restrictions—pulled back to £1.64m profit this time.

Its tannery businesses performed well, although the raw material side saw stiff competition for British sheepskins. "The prices which have had to be paid have been at the expense of any realistic profit margin," says the group. However, the modernisation and rationalisation of the sheepskin clothing and chamois leather business are now "at an advanced stage" and the profitable skivers business is also being relocated. Thecompany expects higher profits

Pittard, meanwhile, saw a first half improvement from £1.74m pre-tax to £2.16m, and says that all three arms—shoe upper leather, gloving and clothing leather—showed improved margins. The merged company intends to retain the bulk of Garnar additional interests.

The tax charge is slightly higher than expected at 33 per cent (£1.28m) and there is also a £532,000 extraordinary charge —merger and rationalisation costs offset by property disposal profits.

● comment

Two arguments were advanced for the Pittard Garnar merger—namely that Pittard's marketing and technical strengths could help the likes of Garnar's shoe and chamois interests, and that Garnar's raw materials supplies could aid Pittard, especially in expansion of its clothing leather interests. The downside is that Pittard, previously occupying some rather nice higher-margin niches, is now exposed to the rough and tumble of Garnar's raw material end. Furthermore, the somewhat gentlemanly approach does not seem hell-bent on squeezing maximum gain in minimum time, and the more fundamental advantages make take a while to show. Happily, Pittard seems to be firing on all three previous cylinders, and Garnar could only improve on the disastrous first half last time. Full-year predictions now range around £8m, putting the shares on a prospective p/e of 15.5.

UK COMPANY NEWS

Wilson Bowden upsurge

THE FIRST interim figures of Wilson Bowden since the Leicester-based housebuilder came to the market in March, show a sharp upturn in pre-tax profits from £3.15m to £5.9m. Turnover for the first half of 1987 rose 19 per cent to £35.3m.

The company said yesterday that the second half, historically stronger than the first, had started well and the outlook for the full year was very encouraging.

Over the past five years, pre-tax profits have risen from £3.5m to £8.33m on turnover up from £24m to £65m.

In the first half, profits from housebuilding grew from £3.11m to £5.06m, while property development contributed an increased £1.13m (£996,000). Rental income from investment properties added £194,000 (£259,000) while profits on sales were up £150,000 at £273,000.

Wilson said it was continuing to add to its residential and commercial land banks, on a selective basis, in order to secure future growth.

Net interest charges were down from £1.13m to £763,000 and after tax of £2.06m (£1.1m) earnings per 10p share came to 6.2p, against 3.9p.

There is a first interim dividend of 1.3p.

● comment

Fast-growing building companies are two-a-penny these days but the market was sufficiently impressed with Wilson Bowden's first post-flotation figures to mark the shares up 11p to 188p. The fact that WB operates outside the South East works doubly in its favour; it makes the current growth look all the more creditable and it also reduces its exposure to a property downturn. If the latter event does happen, then the company's landbank—about three years' production at current rates—might yet turn it into a defensive stock. Add in the potential of the property development arm and the shares do not look over-rated on a prospective p/e of 12.5, assuming pre-tax profits of £15m for the full year.

Matthew Hall rises to over £6m

BY FIONA THOMPSON

Matthew Hall, engineering designer and contractor, yesterday announced increased interim profits and the appointment of a new chairman, Sir George Jefferson, former chairman of British Telecom.

Increased order books helped lift pre-tax profits to £6.13m for the six months to June 30 1987, compared with £5.75m for the same period last year. This is the first time the company has reported six-monthly interim figures; up to now it has published nine-monthly. The comparative figures have been adjusted accordingly.

Trading profit was up 24 per cent at £5.47m against £4.40m on slightly reduced turnover of £235.60m compared with £248.10m. Earnings per share increased by nearly 15 per cent from 4.62p to 5.28p.

The mechanical and electrical sector's trading profits rose by £469,000 to £2.27m, while the oil, gas and chemical division was up to £2.4m from £1.9m.

The design and construction sector showed a healthy three-fold-plus increase from £165,000 to £517,000—though this figure would have been more than doubled had one major contract not incurred a substantial loss.

Mining and minerals plunged to £258,000 against £582,000. Figures in this sector were affected by the low level of contract completions during the first half, but, even despite this, the scene is not very strong, according to Mr Donald Parvin, chief executive.

The mechanical and electrical sector is increasingly busy with improved workloads, he said, and there is some sign of margins improving in the UK. In the US, Worsham Sprinkler, acquired in December last year, is doing well.

In the oil, gas and chemical sector there has been more activity recently and the company has won its first contract in the southern North Sea, for a platform design.

The group is still actively seeking acquisitions, principally in the mechanical and electrical sector in the US. The company was in the early sages of taliks with a large concern, with turnover of about $300m and part of a US-quoted corporation.

Interest receivable fell to £658,000 from £1.34m. The tax charge was £2.02m, against £2.18m. The company declared an interim dividend of 1.87p, compared with 1.75p last time.

● comment

Matthew Hall faces the problem common to all contracting companies, it may get an order today to build an oil rig but it will not see any profit for at least a twelvemonth. A low level of completions for the next nine to 12 months means the oil, gas and chemical side will still be a bit of a black hole for the rest of this year and the first half of next. However, prospects are better now than at any time in the last two years. The mechanical and electrical sector is definitely looking up, with the Australian operation doing particularly well, and the design and construction side should show materially improved second half figures, now that the company has put the significant loss caused by one major contract behind it. Mining and minerals looks pretty dreary with not a lot of work in store. The appointment of Sir George Jefferson as chairman is seen as good news in the City, his excellent contacts should open many doors. The shares closed 2p down yesterday at 227p. Assuming pre-tax profits for the year of £19m, that puts them on a fair prospective p/e of about 13.

Banro lifts profits past £1m

GOOD progress and strong demand for its products helped Banro Industries to lift its pre-tax profits from £851,000 to £1.08m in the 26 weeks to June 30, 1987. Turnover rose from £19.57m to £23.83m.

The directors declared an interim dividend of 1.9p—up from an adjusted figure of 1.6p—and after higher tax charges of £427,000 (£350,000) earnings per share emerged at 5.7p.

Mr Edward Rose, chairman, said that the Plated Strip and Edward Rose subsidiaries had all recorded very satisfactory progress. Edward Rose (Birmingham) had benefited in particular from contracts to supply parts for the new Jaguar XJ6 and Daimler saloons.

During the past six months the company had made substantial investments in its Edward Rose subsidiaries.

He reported that the French subsidiary, Farmer et Penin, had performed exceptionally well and had continued its significant growth in profitability.

The excellent performance of Lintek, the motorcycle spares and accessories distributor which Banro had acquired in September 1985, had resulted in the first instalment of the deferred consideration in respect of its acquisition, equivalent to £1m, being satisfied in April, 1987, by the issue of 460,707 shares and £55,550 cash.

He said the board believed that there was considerable scope for further growth in this exciting area of operation and able acquisition possibilities.

Mr Rose viewed the prospects for the full year and the longer term with confidence.

After-tax profits amounted to £651,000 (£501,000) and minority interests took £1,000 (£9,000). Attributable profits worked through at £650,000 (£492,000).

H Mackay surges to £591,000

A GOOD first half has come from Hugh Mackay, carpet maker, with sales up 19 per cent to £11.42m against £9.58m and the pre-tax profit ahead 85 per cent from £319,000 to £591,000.

r J. Mackay, chairman, said the result bore out the forecast of better sales volumes and margins. And he expressed confidence that the increased production and sales forecasts would be achieved during the second half, traditionally the heaviest selling period.

Selling prices were increased in April and would become fully effective in the second half. The market price of wool had been rising during the year, particularly the higher quality that the company uses.

The half year's growth continued that shown in the previous year, when the pre-tax profit was almost doubled to £1.02m.

Earnings for the half year jumped from 3.93p to 7.59p an dthe interim dividend is raised from 1.5p to 2p.

New products were introduced. While still predominantly a supplier to the contract market, the company has been developing strongly its retail presence. "With the addition of ranges from Pendle Carpets we have a comprehensive spread of products and an expanded number of active accounts," the chairman stated.

Prior to the takeover, Pendle had agreed to purchase Fernhurst Mill in Blackburn, near its factory in Cheshire. Conversion of those premises was proceeding and should be operational next month. Those facilities will begin to generate the forecast additional contributions during the final quarter of the year.

CPU well ahead at £0.7m

CPU Computers, which has been acquired by SCOA, a quoted French company based in Paris, but for which the USM listing is being maintained, more than doubled its pre-tax profit from £329,000 to £710,000 in the six months to June 30.

The directors said the results endorsed the correctness of the board's strategy of focussing effort and resources on the sale and distribution of computer peripheral equipment in the UK as well as continental Europe.

Following the substantial investment programme, CPU Peripherals achieved an improvement in overall performance and resumed contributions to group profit. Sales for the period advanced to £4.48m, more than twice those for the same period last year and representing 25 per cent of the group's total turnover of £18.11m (£9.26m).

European operations remained on target and provided a major contribution to group profits. Last month a new Austrian company, with headquarters in Vienna, commenced trading. Synelec continued to strengthen its position within Germany and ended the period with turnover up 67 per cent to DM32.14m (£10.8m) over the corresponding period of the previous year.

The board considers that CPU Computers' prospects for the remainder of the current financial year are encouraging and that the company is well positioned to take advantage of the growth opportunities offered by the European computer sector.

On the takeover by SCOA, yet to be declared unconditional, the directors say they are delighted that the vision of a pan-European distribution network is set to become reality following the agreed bid.

SCOA intends that CPU will become the vehicle of its European computer peripheral equipment distribution operations and, at the appropriate time, will acquire SCOA's computer peripheral equipment distribution subsidiaries operating in France and Spain.

Tax amounted to £398,000 (£139,000) and minority interests accounted for £62,000 (£38,000) leaving earnings per 5p ordinary of 1.54p (0.94p).

BLP confident after 34% profits increase

Bonded Laminates Profiles, manufacturer of laminates, veneer bandings and mouldings, which joined the USM earlier this year, increased pre-tax profits by 34 per cent to £441,000 on turnover up from £2.57m to £3.34m for the six months ended June 30, 1987.

Mr Philip Maurice, chairman, said that order books of both UK subsidiaries were continuing at a satisfactory level and the company was continuing its policy of investing in additional plant. The factory in the US had now been completed and the first mouldings had been produced.

The company considered that it would fulfil the objectives outlined in the prospectus and looked forward to the future with confidence.

The combined profit for 1986, as stated in the prospectus, was £704,000 and apportioning this on a turnover basis, the six months ended June 30 produced the comparative profit of £328,000. On the same basis, earnings per 10p share had risen from 2.77p to 3.54p.

Tax amounted to £160,000 (£118,000) and there was an extraordinary item, relating to start-up expenditure of the US factory, of £39,000.

A first interim dividend of 1p was declared.

Candover Investments net assets advance by 34%

Candover Investments, the management buy-out specialist, yesterday announced a 34 per cent increase in attributable net assets—from £18m to £24.1m—in the first six months of this year. Pre-tax profits rose to £474,000 at the interim stage, compared to £419,000 in the same period of 1986.

The net asset value at June 30 works out at 337p a share, compared to 252p on December 31. The figures include current asset investments at market or directors' valuation less attributable taxation.

Mr P. G. Wreford, chairman, said that four UK companies sponsored by Candover were "currently in receipt of purchase offers which, if completed, would generate further capital gains in excess of the directors' valuation at June 30."

Particularly significant during the half-year was the Stock Exchange listing of shares in Caradon, currently Candover's most financially successful buy-out. At the listing price, Candover's investment at June 30 was valued at £5.89m, against a cost of £651,000 in October 1985.

After tax of £170,000 (£145,000), earnings per share totalled 4.25p (3.84p). The interim dividend rises from 2p to 3p, partly to reduce the disparity between the interim and final payments.

CSI rights success

Shareholders in Cannon Street Investments have taken up over 90 per cent of the shares offered under the £34m rights issue launched in August to finance its eighth and ninth acquisitions this year.

This is despite a poor market overall, which has been blamed for the failure of other rights issues launched this summer—for example, that of Norfolk Capital, hotelier, where acceptances totalled only 15 per cent.

Mr Bill Hislop, CSI chairman, said he regarded the high take-up as a "vote of confidence in the company and its corporate strategy."

First half improvement at Bilston

A satisfactory start to 1987 has resulted in Bilston & Battersea Enamels increasing its pre-tax profits by 24 per cent from £154,000 to £191,000 in the six months to June 30, 1987. This USM company, which manufactures hand decorated enamel boxes and clocks, is paying its first interim dividend—1.5p net. Last year's single payment amounted to 0.7p.

Turnover increased by 8 per cent from £1.46m to £1.58m, but the directors said the main expansion in sales would occur in the second half. Factory output had been close to full capacity and considerable stocks have been built to help satisfy the heavy pre-Christmas demand.

The pre-tax figure was after sales commission of £179,000 (£184,000), administrative costs up from £337,000 to £375,000 and interest receivable of £16,000 (£4,000). Stated earnings per share improved from 2.4p to 2.9p.

Bridon at £5.2m after restructure

BRIDON, Doncaster-based engineer and maker of wire, wire rope, fibres, and composites products, reported pre-tax profits of £5.2m for the first half of 1987. That equalled the result last time which included £800,000 from the Mexican associate since sold.

The benefits from the rationalisation programme put in place last year had been somewhat offset in the first half by the effects of reduced demand in Europe and lower margins, particularly in its polymer products, Sir Christopher Laidlaw, chairman, said. Group turnover for the period was slightly up at £97.6m (£94.7m).

He added that further cost reductions and improved efficiencies were being continuously and vigorously pursued in order to enhance the group's competitive position for the future.

An unchanged interim dividend of 1.5p is being paid. For 1986 the total was 5.5p when pre-tax profits were £10.4m.

In the UK the British Ropes rationalisation programme led to better results although the degree of benefit was reduced by the decline in demand for wire rope and ancillary products.

In the US rationalisation led to much improved results, he said. The group's share of the wire rope market in New Zealand had been maintained.

Operating profits came out at £2.7m (£2.9m) for Bridon, and its share of results of the continuing related companies was £3m (£2.6m). An exceptional credit of £800,000 (£300,000) related to property disposal profits.

After tax of £2.1m (£2.4m) earnings per share amounted to 5.6p (5p).

M6 Cash & Carry profits halved

Reduced pre-tax profits of £207,000 against £464,000 were announced by M6 Cash & Carry for the 28 weeks ended July 11, 1987.

The directors said that despite tough compeition, the underlying trend in the company's cash and carry trade continued to be encouraging and expansion of the delivered trade was progressing well.

The second half had begun promisingly, they added, and they believed progress would continue to be made in recovering part of the shortfall in the first half.

They had declared an unchanged interim dividend of 1.06p. Earnings for this half fell from 6p to 1.9p per share.

Turnover for the period improved from 30.15m to £35.4m and the pre-tax result was after interest received of £16,000 (£41,000). Last time there was an exceptional £53,000 credit.

The tax haerge fell to £46,000 (£81,000).

Palma share sale

Palma Group has sold its 24.9 per cent stake in Towles, realising slightly over £500,000 against a book value of £140,000.

Lower margins bite into Hewitt's midway profit

AFTER A poor first half, the directors of J. Hewitt & Son warn that the profit for the 1987 year will not reach the record £1.32m of the previous year.

However, they stated that the current six months would be better than the first half, and they were holding the interim dividend at 1p per share.

In the first half of 1987 sales by the group, maker of industrial and domestic refractories, fell 8 per cent to £4.54m, but the reduction in pre-tax profit was substantial, from £626,000 to £248,000. As previously intimated, margins on some products were reduced. Earnings slumped to 3.9p (11.1p).

Mr D. K. Hewitt, the chairman, said he expected the traditional markets to remain buoyant into next year and was hopeful there would be a recovery in overall profitability.

Sanderson Murray down

Sanderson Murray & Elder (Holdings), the Bradford-based woolcomber, announced a 15 per cent reduction in pre-tax profits from £163,542 to £139,080 on turnover down from £6.61m to £5.97m for the year ending June 30 1987.

The directors recommended a higher dividend of 5p (4.5p) despite a reduction in earnings per 50p share from 6.7p to 5.4p.

The directors said that volume was similar to the previous year although turnover value on lower wool prices overall was 10 per cent less. New business was emerging only cautiously following recent sharp wool price fluctuations.

The results include extraordinary items totalling £855,843 (£86,000) representing surpluses, after provision for taxation, of £95,957 on sale of land at Newton Abbot and £759,886 on the disposal of the listed investment in Bulmer and Lumb (Holdings). In consequence available profit was lifted to £958,546 (£213,373). Taxation on ordinary activities came to £35,510 (£35,302).

Macdonald Martin profits show sharp setback in first half

A sharp setback in pre-tax profits, down by more than one half, from £802,000 to £347,000, was announced by Macdonald Martin Distilleries for the half year to June.

Earnings per "A" ordinary are down from 24.7p to 10.74p and from 12.35p to 5.37p on the "B" ordinary but the interim payments are maintained at 4p and 2p respectively.

Mr David Macdonald, chairman, said the downturn in profitability reflected the combined effects of adverse currency exchange movements in the key North American markets, an unfavourable sales mix and the comparative effects of exceptional shipments of Glenmorangie during the first quarter of 1986.

Despite the inevitable impact those elements would have on the 1987 full year Mr Macdonald said the anticipated effects of a more favourable sales mix in the second half, supported by the continued advancement of Glenmorangie in all sectors, should result in a better experience in the second six months.

Turnover in the period fell from £8.42m to £7.97m but operating costs were virtually unchanged at £7.16m. Interest payable was £455,000 (£457,000) and tax took £57,000 (£135,000).

All-round organic growth boosts Addison to £4.5m

BY DAVID WALLER

Benefiting from organic growth in all five divisions, pre-tax profits at Addison Consultancy Group rose by 62 per cent to £4.5m in the six months to the end of June on turnover ahead by £19.3m to £57.6m.

Mr Steve Smith, joint chief executive, said that growth in the personnel services division had been outstanding, accounting for some 40 per cent of taxable profits in the first half, against 35 per cent a year ago.

The four other divisions—design, market research, consumer communications and public relations—performed well, inhibited only by problems at Arnott Corporation, Addison's loss-making signage systems manufacturing company in the US.

Mr Smith said the time was now right to consider further acquisitions—particularly in recruitment consultancy or market research, and probably overseas. Addison is now cash-rich after last month's £3.8m disposal of Husky Computers.

As yet, Addison has made no acquisitions this year, but in 1986 it bought Aidcom International and Taylor Nelson, and merged with Chetwynd Streets.

Earnings per share worked out at 5.05p, a 20.8 per cent increase, and the dividend was raised by 12½ per cent to 0.9p per share.

● comment

Addison grew too rapidly for the market's liking last year, and a bout of investor indigestion was inevitable as the share capital mushroomed from 16m shares in issue prior to the merger with Chetwynd to 55m after the acquisition of Aidcom. As yesterday's figures show, Addison has survived the turbulence of 1986 — the reorganisation of Aidcom's diverse subsidiaries, the defection of a team of top staff to found a rival PR agency—unscathed, and operating profits were up nearly 80 per cent without the benefit of a single acquisition. At the pre-tax level, profits were ahead of expectations of £3.6m to £4m, and the shares added a modest 2p to close at 192p. They are on a p/e of 16½ if Addison makes £10m in the full year—in line with the sector.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Antofagasta, William Baird, Brown Boveri Kent, Clarke Nicholls and Coombs, Corah, Desoutter Brothers, Edmond, Fergebrook, Garton Engineering, Guinness, Lancaster, Laporte, Meeders, Molins, Perry, Reckitt and Colman, Renown Inc, Trinity International, Wolstenholme Rink.

Finals: Abaco Investments, Tor Investment Trust, Westpool Investment Trust.

FUTURE DATES

Interims—	
Colorgraphic	Sept 29
Debfor	Oct 5
Laidlaw Thomson	Oct 5
London Atlantic Invest. Trust	Oct 15
Therals	Sept 23
Tilbury	Sept 23
Yule Catto	Sept 22
Finals—	
Barratt Developments	Sept 23
Close Brothers	Sept 22
Dowding and Mills	Oct 1
Elaco	Oct 14
GC Flooring and Furnishing	Sept 23
Scottish Metropolitan Property	Oct 16

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1986							
1st qtr.	109.1	102.8	97	119.3	146.9	3,171	166.5
2nd qtr.	109.8	104.0	97	121.3	154.0	3,203	175.6
3rd qtr.	110.9	105.0	96	123.7	158.7	3,202	200.2
4th qtr.	110.9	107.1	94	126.5	194.3	3,141	213.0
1987							
1st qtr.	111.6	107.2	91	125.4	157.0	3,073	210.4
2nd qtr.	112.4	108.9	91	128.3	166.0	2,965	226.1
February	112.4	108.1	93	127.0	154.5	3,066	207.1
March	112.5	107.8	91	125.5	157.8	3,040	210.6
April	112.1	108.2	90	130.0	169.0	3,018	213.9
May	113.1	109.0	90	125.4	161.3	2,952	231.2
June	111.9	108.5	91	129.4	167.3	2,925	233.3
July				131.2	173.7	2,878	234.9
August				131.8			

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.8	101.4	115.0	101.5	109.3	103.1	14.6
2nd qtr.	105.3	101.0	115.9	102.5	110.0	104.1	19.5
3rd qtr.	106.5	101.6	117.5	103.1	109.0	103.1	19.4
4th qtr.	108.2	102.4	116.1	104.6	115.4	104.5	15.5
1987							
1st qtr.	107.3	103.3	118.0	105.5	114.9	102.8	17.4
2nd qtr.	109.6	103.9	117.6	106.7	121.4	104.4	19.4
January	106.5	102.3	118.4	104.0	107.8	103.0	12.7
February	108.0	103.4	118.7	106.0	122.9	103.9	18.6
March	107.3	104.1	118.9	106.6	116.6	102.0	20.8
April	109.1	103.6	117.5	106.9	117.0	104.9	18.1
May	109.8	103.5	119.0	107.0	122.0	104.0	20.2
June	109.9	104.7	116.3	107.0	126.0	105.0	19.9
July							19.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.6	18.75
2nd qtr.	121.9	129.1	−1,608	+135	+765	102.5	19.29
3rd qtr.	122.6	139.0	−2,891	−918	+621	103.2	22.43
4th qtr.	137.5	144.8	−2,725	−930	+785	100.9	21.92
1987							
1st qtr.	130.0	133.2	−1,135	+471	+1,164	100.5	27.04
2nd qtr.	126.3	140.7	−2,361	−561	+1,033	103.7	34.36
January	124.6	131.4	−517	+ 18	+383	100.2	21.95
February	133.4	133.0	−202	+333	+328	100.4	22.26
March	136.9	130.2	−417	+119	+454	100.8	27.04
April	131.4	138.6	−536	+ 74	+423	102.8	29.31
May	123.9	144.3	−1,096	−496	+365	103.8	34.68
June	123.5	139.1	−740	−140	+245	104.4	34.36
July	131.3	147.6	−910	−310	+284	103.1	34.91
August							34.4

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.2	+6,203	2,220	+855	11.50
2nd qtr.	3.1	25.9	27.3	+9,455	1,433	+346	10.00
3rd qtr.	5.9	20.2	15.4	+6,995	168	+792	10.00
4th qtr.	7.6	15.2	14.1	+10,516	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,685	1,465	+952	10.00
2nd qtr.	3.2	29.7	29.2	+8,654	1,804	+1,033	9.00
January	7.7	18.1	13.5	+1,701	446	+257	11.00
February	0.1	10.9	17.8	+2,881	472	+296	11.00
March	−3.8	33.8	29.4	+2,083	547	+389	10.00
April	0.1	20.9	33.6	+1,989	727	+410	9.50
May	5.5	37.6	32.8	+2,734	521	+294	9.00
June	4.5	30.8	21.9	+3,931	556	+329	9.00
July	7.7	34.6	23.6	+4,262	347	+228	9.00
August							10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	122.4	142.4	96.5	96.9	1,825	75.1
2nd qtr.	184.0	125.3	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.3	146.2	97.9	98.3	1,464	71.9
4th qtr.	191.6	127.4	147.4	99.1	98.3	1,606	68.2
1987							
1st qtr	192.0	129.8	149.3	100.3	100.5	1,580	69.9
2nd qtr.	198.0	128.7	150.5	101.9	101.8	1,596	72.8
January	190.4	131.7	148.9	100.0	100.0	1,608	68.8
February	191.2	129.6	149.3	100.4	100.7	1,601	69.0
March	194.5	128.2	149.7	100.6	100.7	1,539	71.9
April	195.9	128.4	150.5	101.8	101.6	1,534	72.4
May	196.1	128.0	151.0	101.9	102.3	1,612	73.3
June	199.9	129.7	151.1	101.9	101.8	1,629	72.6
July		130.5	151.2	101.8	100.4	1,632	72.8
August		131.5	151.6	102.1	100.7	1,655	72.3

* Not seasonally adjusted.

† Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Improved margins help DRG profits rise 19%

PRE-TAX profits of DRG for the half year ended June 30, 1987, rose 19 per cent, reflecting a 9 per cent increase in turnover backed up by an improvement in net operating margins.

Sir John Milne, in his initial statement as chairman, said that was very positive progress and the full year should show a satisfactory outcome. The strong level of demand had continued into the second half.

Turnover totalled £355.9m (£325.8m), operating profit came to £27.2m (£22.8m) of which £19.3m (£16.1m) was earned in the UK, and the pre-tax balance was £24.6m (£20.6m). Exceptional charges were down to £600,000 (£900,000), being redundancy costs less profit on disposal of assets, while net interest charges rose to £2.2m (£1.6m).

After effectively higher tax, earnings worked through at 16.8p (14.6p) and the interim dividend is lifted to 4.1p (3.65p).

Sir John said within the UK stationery business profits were sustained by strong demand across the full product range. Overseas sales increased by 26 per cent. A restructuring of the Sellotape manufacturing operation was already producing a playback.

UK plastic packaging factories were busy but profits were affected by the impact of technological change and by higher resin costs.

Overseas the highlight was the performance of the Canadian group which improved its profits dramatically. In the US the recent rotary thermoforming acquisition was starting to measure up to its potential but the trading environment for medical packaging was more difficult. Profits from Europe were broadly unchanged.

The chairman said investments made would cause a cash outflow for the year but gearing would remain within "acceptable limits." DRG spent some £18m buying in the 30 per cent minority in Canadian interests acquiring a partner's 50 per cent share in Sellotape (New Zealand) and adding to business equipment interests in New Zealand.

Other capital projects mentioned last year were generally proceeding well.

● comment

DRG spent its first half tidying up—buying out partners in Canada and New Zealand — and launching a major capital expenditure programme. The now fully-owned Canadian operations are running strongly ahead of last year's C$8.8m and planning on a North American basis should be much facilitated. New plant and equipment could consume £50m this year —about two-thirds of which will be spent in the second half, causing gearing to ease up to the 25 per cent level. The £15m three-year plan to rationalise the envelopes and flexible packaging businesses holds out good prospects of an extraordinary bonus (over the capitalised costs) in 1989 when the 20 acres freed up in Hemel Hempstead should be sold off. The cartons and paper sacks operations, now making money again, appear less likely to remain with the group—£30m sale proceeds would nicely tide DRG over the capex hump whilst still leaving up to £100m to spend on a chunky acquisition if the management was so inclined. The better exploitation of the group's brand names—Sellotape and Basildon Bond—remains something of a marketing gap. Forecasts are for £50m, which puts the shares at 463p on a prospective p/e of 13½, a good buy for the medium-term.

Bellwinch just beats prospectus forecast

Bellwinch, the housebuilder which came to the market via a placing in April, has produced a record pre-tax profit of £4.75m for the year to June 30 compared with prospectus forecast of £4.6m and £2.58m for 1985-86.

The company markets its homes under the local trading names of Roger Malcolm, Ronking Homes and Webb Homes. Reviewing progress of the various divisions Mr Robert King, chairman, said of Roger Malcolm London that Clipper Quay on the Isle of Dogs had produced record sales and development will be concluded during the current year.

Prospect Place, Wapping was completed while Hogarth Mews in Beckton recorded 100 per cent reservations and will be completed during the 1987-1988 financial year.

Detailed planning permission has been received for over 300 homes at the group's largest site at Millwall Wharf, Isle of Dogs. The division's major development at St Leonard's Hamlet, comprising nearly 400 residential homes, was successfully launched this year, with excellent forward reservations.

Webb Homes, which concentrates its activities along the M3, M4 and M27 corridors has acquired further sites at Southampton and the Isle of Wight since the company's flotation. The group's landbank is now sufficient for approximately four years. ...

Turnover last year was up 22 per cent to £28.34m (£23.16m) and the operating profits 49 per cent higher as £5.18m (£3.47m).

Net earnings per share were 11.4p (5.4p) on a net basis and 10.6p (n/a) fully diluted.

The final dividend is 1p

Offer puts £33m tag on Explaura

BY PHILIP COGGAN

When the Newfoundland Colonisation and Mining Company laid a cable across the East Canadian island at the turn of the century, it received a grant of 64,000 acres from the British Crown in return. Now, many years and corporate incarnations later, part of that land is the basis for only the second offer for sale on the Unlisted Securities Market this year.

Explaura Holdings, as the Newfoundland company is now known, plans to build a quarry at Lower Cove Bay on the island to exploit the estimated 1.2bn tons of limestone reserve at the site. The limestone would be processed at the plant and then transported, via ship, to the East Coast of the US and sold mainly to the construction industry.

Establishing the quarry will cost around C$22m (£10m) and the company is receiving C$13m of its target via a subsidised loan from the Canadian government, with the rest of the proceeds coming from the offer.

Production is not expected to begin in earnest until 1989 and in the medium term the company hopes that output will reach 4.2m tons a year. East Coast prices for aggregates materials like limestone have risen in recent years as the availability of land-based supplies has dwindled and the company hopes that sea transport will give it both flexibility and a cost advantage over other producers.

Henry Ansbacher and CGS Securities are offering 18m ordinary shares, 17 per cent of the enlarged equity, at 32p each to raise just under £5m. That will give the group a market capitalisation of around £33m.

Robertson Research, a branch of Cooper & Lybrand, has placed a discounted cash flow value on the company's proven reserves of between £23m and £29m. Explaura's illustrative projections are that pre-tax profits could rise from £575,000 in 1989 to £6.8m by 1992.

Explaura's shares were previously traded under the Stock Exchange's Rule 535(3) and existing shareholders have preferential rights on up to 2.7m shares under the offer. The minimum application is 1,000 shares.

● comment

A prospectus that talks of quartzo-feldspathic flysch and rip rap stone obviously requires careful consideration. Add in the fact that the record of previous USM start-up companies has been less than adequate and investors could be forgiven for telling this Explaura to get lost. That might be misguided. Certainly, the risk element of any greenfield project is high; but this venture appears better researched than most. Unlike many other start-ups, it depends not on the potential appeal of some new hi-tech product but on a commodity with everyday uses in the building of roads and bridges. The businessmen behind the project were keen enough to fund it over the summer while the offer was caught up in the Canadian bureaucratic machine and are not selling any of their shares. No-one could pretend that an investment is anything but a gamble, but it might not be unreasonable to assume that the shares could resume trading at a price not far from the 45p at which they were suspended under rule 535 (3).

Profits grow at Wyevale Garden Centres

Wyevale Garden Centres, which joined the USM earlier this year, yesterday reported pre-tax profits up 25 per cent from £482,000 to £601,000 for the first half of 1987. Sales rose 17 per cent to £4.54m, against £3.87m.

Because of the seasonal nature of the company's business, the majority of sales and resulting profits are earned in this period.

However, the company said it was confident that the improvement would be maintained and it looked forward to another successful year.

Earnings per 50p share were 6.07p (6.11p) and a first interim dividend of 0.73p has been declared. During the period, Wyevale's garden centres increased by two to 15.

Wills looks to longer term after 27% profits decline

Wills Group, specialist in imports and financial services, announced a 27 per cent fall in pre-tax profits from £1.06m to £779,000 on turnover down from £56.44m to £54.66m.

In 1986 the group increased pre-tax profits from £532,000 to £2.23m, mainly due to the performance of CT Group, acquired in 1985.

Mr Robin Marsh, chairman, said yesterday that the first half of this year had seen a number of strategic actions taken to enhance the longer-term position.

The financial services division was on budget for the first half of the year. The marketing services division (the CT Group) exceeded its budget in the first-half but appeared to be on course for the full year.

After a careful review, the marketing operation based in Hamburg had been closed and the group was seeking a more convenient location. The import division had returned a very poor result and the board was pursuing plans for remedial action.

Profits before discontinued activities were £1.06m (£1.17m). After tax of £315,000 (£429,000), minority interest payments of £35,000 (£20,000) and extraordinary items (closure costs) of £336,000 (£58,000), earnings per 25p share declined to 4.7p (6.8p).

New London Prop

New London Properties increased pre-tax revenue by 25 per cent from £1.35m to £1.69m on turnover up 23 per cent from £2.57m to £3.17m for the half year to June 30 1987.

An interim dividend of 8p (7p) was declared after tax of £566,850 (£479,534).

Huntleigh Technology constrained

Continued investment in developments and new product launches and marketing, coupled with the weakness of the dollar, hit the profit of Huntleigh Technology in the first half of 1987.

Sales of this USM quoted manufacturer of instrumentation and control systems rose 15 per cent to £5.32m, but operating profit fell from £563,000 to £228,000 and the pre-tax balance from £435,000 to £138,000.

Sales growth was achieved primarily in export markets with a large part arising in the US, where profits were constrained by the weak dollar. The directors were concentrating on the stronger currency markets.

Earnings for the half year were 1.11p (3.22p) and the interim divided is held at 0.5p.

Mucklow pushes on to £6m

FOR THE year ended June 30 1987 A. & J. Mucklow Group lifted its pre-tax profit from £5.37m to £6.01m. And the net figure was boosted by a £822,000 surplus from the pension fund.

Net profit for the year was £5.38m (£.7m) and earnings came to 8.65p (7.01p) per share. The final dividend is 3.38p for a total of 5.94p (5.4p).

Principal activity is industrial property investment and development and the group claims to be the largest owner of factory estates in the Midlands. At July 1 some 5.13m sq ft were fully developed comprising 47 industrial estates over 328 acres.

Rental income in the year was £7.35m (£6.28). hWen present developments were let they would add over £1.5m to the annual rent roll; pre-lettings currently amounted to £500,000 rent per annum.

In house building and estate development there was a trading profit of £545,000 (£165,000) made on turnover of £2.86m (£1.9m).

For the current year the directors were confident the group would produce a further improvement in profits. Housebuilding should do better and rental levels of the factory units were beginning to increase after a long period of stagnation.

Including 1986-87 all interest incurred on new development being capitalised instead of being written off annually against profits. This year £222,0000 was caiptalised.

The industrial property portfolio was revealed at £76.42m, showing a surplus of £4.63m. The new value will be incorporated in the accounts.

UCL ahead 43% at six months

UCL Group, the London-based computer specialist company which came to the USM in April, increased pre-tax profits by 43 per cent from £358,000 to £512,000 in the half-year to June 30.

Turnover more than doubled from £2.84m to £6.81m.

Mr Nicholas Drescher, chairman, said yesterday that the first half had seen continued growth. The proportion of business in the financial sector was in line with previous years and two significant orders were taken with projected delivery later this year.

The company was in advanced negotiation with several prospective clients in both the private and public sectors. The market response to the Personnel package product, for which a first order was received in June, had been promising.

After tax of £205,000 (£143,000), earnings per 5p share were increased to 4.2p (3.3p).

It is intended to pay a final dividend for the year.

Pauls Malt sale

Harrisons & Crosfield subsidiary, Pauls Malt, is to sell its Strasbourg malting company, Usines Ethel, to a consortium of French malting companies.

The consideration will be around £2.1m payable in cash, and prior to the sale Usines Ethel will repay to Pauls Maul loans of £700,000.

Blockleys profits jump to £1.75m at midway stage

Blockleys, Telford-based facing brick manufacturer, boosted taxable profits by more than 68 per cent from £1.04m to £1.75m on turnover up from £4.32m to £6.01m in the first half of 1987. At the end of 1986, the company had stated its optimism about results for 1987.

The directors declared an interim dividend of 2.7p—compared with an adjusted 1.57p last time—and earnings per share rose from 75 per cent from 5.41p to 9.48p.

Mr Thomas Wright, chairman, said that turnover during the period had benefited from increased sales of the company's Heritage range of facing bricks. Orders for these and Blockleys' wirecut facings and paviors had continued to increase to a level where the company was now taking from stock to meet the demand. He was confident that this trend would continue for the rest of the year.

The additional production which would flow from the new No 8 plant from the spring of 1988 would enable the company to derive maximum benefit from its increased market share.

Trading profits rose from £1.23m to £1.9m and interest payable fell from £189,000 to £141,000. Blockleys' tax payments increased from £385,000 to £614,000. Attributable profits almost doubled, rising from £650,000 to £1.14m.

In 1986 Blockleys reported taxable profits of £2.26m (£1.92m) on turnover up from £8m at £9.12m. Early in the year its new £6m factory on its Hadley, Shropshire, site came on stream and lifted output from 31m to 50m bricks per annum.

Miss World edges ahead

Miss World Group, the USM quoted organiser and promoter of beauty competitions, raised pre-tax profits by 5 per cent from £167,300 to £175,700 in the first half of 1987; on turnover 14 per cent ahead at £465,000.

The company's main trading events, the Miss World contest and the Miss United Kingdom contest, occur after June 30 and therefore the second six months of the calendar year are more profitable than the first.

Mr Eric Morley, the chairman, said yesterday that current trading was up to budget and the outcome for the year should be satisfactory. In 1986, profits reached £602,000 on £1.49m turnover.

First-half earnings per 10p share grew 22 per cent to 6.27p (5.14p) and the interim dividend stepped up from 1.5p to 2p—last year's total pyment was 6p.

Net profits for the period were £122,300 (£100,300) after tax of £75,700 (£67,000) and an extraordinary credit of £22,300 being profit on the disposal of a freehold property.

COMMODITIES AND AGRICULTURE

Harvest gloom for UK millers

BY BRIDGET BLOOM

FLOUR MILLERS in the UK face a possible 25 per cent increase in their raw material costs as a result of the poor British harvest, now within two-three weeks of completion.

The wheat harvest could be down to 12m tonnes, or nearly 2m tonnes less than last year. Critically for the millers, the heavy rains, especially in East Anglia, have meant a very marked decline in the amount of breadmaking quality wheat which is available to them.

Millers are already paying a substantial premium for home-grown milling wheat, with prices nearing £150 a tonne *from around £115 in July.* Some millers estimate that instead of using home grown wheat to fulfil 80 per cent of their requirements of some 5.2m tonnes this year, they may be able to find only 50-60 per cent fro mlocal sources.

The millers point out that estimates of the impact of the price rises on their business are still tentative, partly because the harvest is not yet complete in parts of eastern England and Scotland. It is not yet clear, therefore, how much wheat will have to be imported to make up the shortfall, and from where.

If the worst predictions are fulfilled, however, and substantial quantities of high quality wheat have to be imported from North America, increases in the price of bread seem certain to follow.

While firm figures *for the over*all harvest are unlikely to be available for another fortnight, it is already clear that East Anglia, which normally produces over 70 per cent of the country's high quality milling wheats, has produced crops markedly lower in both quantity and quality.

Protein levels are apparently up on last year, but the grain's suitability for turning into high quality flour and thus good bread dough—as judged by the so-called Hagberg test—is "disastrous" according to the *National Association of British* and Irish Millers.

British millers—Rank Hovis, Spillers and Allied between them have 75 per cent of the market—are already snapping up high quality wheat from other European Community states. Spain has had a relatively good harvest but France, Germany and Denmark, the other major wheat producers, have also suffered from poor weather.

One miller estimates that Britain might import about 1.5m tonnes from the rest of the EC, including 1m tonnes from France and 350,000 tonnes from Spain. That would compare with total imports from the EC last year of some 600,000 tonnes.

In addition, however, imports from North America, notably from Canada, seem certain to be stepped up, possibly to 800,000 tonnes. Because of the heavy import duties imposed through the common agricultural policy, Canadian wheat costs at least 50 per cent a tonne more than EC wheat.

Suggestions that the short*fall might be made good from* the large stocks of wheat being held in the EC's intervention stores are officially discounted both at the Ministry of Agriculture in London and the EC Commission in Brussels.

The EC's wheat stocks stood at some 6m tonnes in mid-summer, with 2.8m tonnes of that reportedly being of breadmaking quality. However, according to British officials, there is no bread-making quality wheat in intervention in the UK while the Commission is apparently reluctant to consider releasing any high-quality wheat from intervention until the size of the harvest throughout Europe, and the resultant market situation, becomes clearer.

Such wheat would in any case be sold at prevailing market prices, rather than the lower prices at which it was bought in.

Of the estimated 5.2 tonnes of wheat which will be used in Britain for human consumption this year just over 3m tonnes will be used for making bread and the balance for a variety of uses including cakes and biscuits. Of the rest of the total wheat crop, a large amount this year is likely to be used on farms which produced it, with the rest going into manufac-

Move to rationalise zinc output collapses

By Tim Dickson in Brussels

AN AMBITIOUS attempt by leading European lead and zinc producers to rationalise their operations through close co-ordination of output and sales has collapsed after deep disagreements between the participants.

But the indications yesterday were that continuing overcapacity in the industry could still force a resumption of negotiations.

Details of the joint study group set up by the five companies—Boliden of Sweden, Outokumpu of Finland, Vielle Montagne of Belgium, Penarroya of France and Preussag of West Germany — first emerged in the spring of this year. Australian Mining and Smelting, an associate of Rio Tinto Zinc, the UK Natural Resources Group, is understood to have subsequently joined in the efforts to set up what would effectively *have been a joint* pan European company.

The Finnish and Swedish companies and AMS were the first to pull out but it was the decision by Vielle Montagne, the Belgian group controlled by Union Miniere, to follow *suit this month which finally* ended the discussions.

A statement from Union Miniere said simply that the group of companies had "made a joint study on the optimisation of their mining and metallurgical capacities, *aimed at a consolidation with*in the European industry" but that "the project will not be realised as originally planned due to different views on the structure of a new entity and the extent of transfer of businesses to such entity."

It is understood that the disagreement went well beyond the question of what mining and plant capacity should be shut down. This would have been necessary to restore equilibrium at a time when an estimated 100,000 to 200,000 tonnes is overhanging the market thanks to the recession of the late 1970s and early 1980s and the substitution of other materials by traditional customers.

Mr Jean Andre, managing director of Vielle Montagne, said yesterday that the prob*lems of overcapacity would* remain

Coffee producers move towards consensus on export quotas

BY NICHOLAS WOODSWORTH IN ABIDJAN

COFFEE PRODUCING countries are moving towards consensus on proposals for the reintroduction of export quotas to be tabled at a meeting of the International Coffee Organisation (ICO) next *Monday.*

During a two-day emergency session of the Inter-African Coffee Organisation in Abidjan, the Ivory Coast's capital, delegates this week resolved to take a unified stand with their South American counterparts *at a producers plenary meeting* to take place in London on September 18 and 19.

Consensus among coffee exporters worldwide is seen as vital to producers interests; a full meeting of both producing and consuming members of the *International Coffee Organisa*tion on September 21 will test their unity. It is then that the producing nations will strive to finalise a formula for the allocation of export quotas acceptable to consumer members.

Efforts to arrive at agreement on the allocation and eventual restoration of quotas, suspended in February 1986, have up until now been frustrated by Brazil's refusal to consider any reduction in its traditional 30 per cent share of the world market.

Following emergency meetings of producers in the Ivory Coast and Mexico in August and early September, Brazil is now willing, in principle, to enter into negotiations on the reintroduction of a quota system.

This week's Abidjan meeting took the move towards general consensus one step further by including among its delegates Mr Jorge Ortega, a Mexican representative of the "other milds" group of South American producers.

According to Mr Ortega Brazil and Colombia, who were invited to the "other milds" meeting in Mexico in early September, agreed then to the necessity for quota restoration.

Liaising between South American and African producers at this latest Abidjan meeting, Mr Ortega has been able to bring the two groups closer to adopting a common stance.

"My group and the African producers have now arrived at a common position on minimum conditions necessary for the formulation of quota allocations." he said, adding he was highly optimistic that producer proposals would be accepted by the ICO on September 21. He also noted that all producers now saw the need for the "transparent" formulas demanded by the importing members of ICO.

In the past African coffee exports have brought in over $3bn annually and African producers have every interest in seeing prices rise and their share of the market preserved through the reimposition of quotas.

With the market value of coffee at its lowest levels in 25 years in real terms the African nations most heavily dependent on coffee revenues are feeling the pinch. African leaders, notably President Felix Houphoet-Boigny of the Ivory Coast, have in past months made considerable efforts to *unite African producing* countries and halt the alarming drop in market sales.

Speaking of the belief that through consensus producers now have given themselves a real opportunity to reintroduce export quotas, IACA deputy-chairman Joao Caetano of Angola said he hoped that "coffee producers have at last found sugar to stir into our bitter coffee."

EC commission resumes imitation milk battle

BY TIM DICKSON IN BRUSSELS

THE European Commission agreed yesterday to defy member states by continuing a key legal battle to overturn the long standing French and West German bans on imitation dairy products. But the 17 Commissioners meeting in Strasbourg rejected a more dramatic pro*posal to take the EC Council of Ministers itself* to the European Court of Justice.

Yesterday's meeting followed the controversial decision by EC Farm Ministers in July to sanction the prohibition by Paris and Bonn on "fake" products like coffee whitener and non-cream toppings at least until the current milk quota regime runs out in 1989. The French and West German Governments both argue that it would be inappropriate to alter the situation whilst dairy farmers are being forced by Brussels to *reduce their supplies.*

The Commission, by contrast, believe that the bans may inhibit the free movement of goods as guaranteed under article 30 of the Treaty of Rome and initiated a case against the French Government in the Luxembourg Court in 1984. Its view was supported by the Advocate General but the *Court's final judgment has been* repeatedly delayed as a result of fierce political pressure from the member states concerned.

Most observers agree that the Commission has been somewhat flat-footed and while yesterday's decision should pave the way for a Court verdict on the French case well before the end of the year (the German one is considerably less far advanced) legal uncertainty is likely to persist. After all, July's Ministerial agreement gives the French and Germans a legal *basis for continuing their bans* whatever the outcome.

Subdued start for Paris sugar options

THE PARIS white sugar traded options market got off to a good but fairly subdued start yesterday, **Reuters reports.**

The first day's business was affected by the recent thin activity on the underlying futures market, dealers said.

The options market is aimed *at boosting foreign investment* and attracting speculators, according to the exchange.

The move followed the French Government decision late last month to allow residents to deal in dollars, a right previously restricted to non-residents.

Only about 60 lots of 50 tonnes each were traded on the options market by mid-afternoon.

The launch of an options market is part of Paris's plan to retain its dominant position on the white sugar futures market in the face of tough competi*tion from London and a planned* New York market.

Wong Sulong reports on Malaysia's most traditional crop

Price rise boosts rubber prospects

THE NATURAL rubber price's recent rise to a three-year high has encouraged a new feeling of optimism among Malaysian growers and the country's planners are reassessing the *long term outlook* for the crop.

Until the middle of last year that outlook had seemed very bleak. Prices were so low that few plantations were making any money from rubber and the feeling was that Malaysia would gradually be eased out of its dominant position in the rubber market by its lower-cost neighbours, Indonesia and Thailand.

Today, however, that prospect is not looming quite so large.

Last year's exports of 1.5m tonnes, worth 3.18bn ringgit (US$1.27bn), confirmed rubber in fourth position among Malaysia's export earners. But in social terms it remains the country's most important commodity. The milky latex that oozes each dawn from the *Heven brasiliensis* trees has an importance to Malaysian society that goes beyond mere economic considerations.

So the current mini-boom which the rubber industry is enjoying is having a much-needed stabilising effect on the country, which is facing increasing political and racial stress.

For the first time since March 1984, the International Natural Rubber Organisation's five-day moving average price has breached the "may sell" level of 232 Malaysian/Singapore cents a kg at the beginning of September. Within days *of that happening* the Inro bufferstock manager was reported to have sold more than 5,000 tonnes from his 360,000 tonnes stockpile. But prices have remained steady, reflecting the market's strong supply/demand situation.

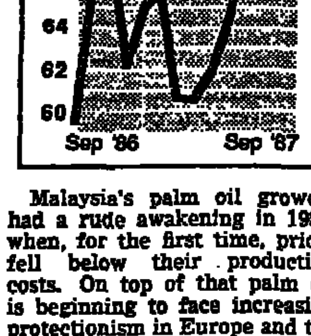
"Basically, demand and supply are in equilibrium, and with the periodic production shortages, prices are firming up," said a senior official of the Malaysian Rubber Exchange. In addition stocks in consumer countries are believed to be very low.

Against that background Dr Lim Keng Yaik, the Malaysian Primary Industry Minister, is bullish about the long term prospects for natural rubber and keen to foster planters' confidence in the traditional crop.

"Switching to palm oil and cocoa ad finintum is no solution to our commodity problem," Dr Lin declared recently.

The relentless march of the palm oil industry has seen about 2m acres of rubber land converted to oil palms since the mid-1960s. That trend has now slowed, however, and may be going into reverse.

Rubber
Spot No 1RSS (pence per Kilo)



Malaysia's palm oil growers had a rude awakening in 1986, when, for the first time, prices fell below their production costs. On top of that palm oil is beginning to face increasing protectionism in Europe and the US, as well as competition from Indonesia and Thailand, so Malaysian planners feel it would be unwise to become too dependent on the crop, which already accounts for about 70 per cent of the country's plantation output.

Estates are reported to be studying plans to cut that figure to about 55 per cent, however, with rubber's share going up from 20 per cent to 30 per cent (mainly from production on new land). The cocoa figure would go up from 10 per cent to 15 per cent.

Dr Lim is confident that Malaysian rubber can compete against output from its neighbours.

"Ex-farm, we lose, but fob, we can take them on," he said, pointing out that Indonesia and Thailand would have to invest heavily to upgrade their transport and infrastructure sufficiently to eliminate Malaysia's advantage.

The Malaysian industry is not scared of oil-based competition either. A feature of the elastomer market is increasing specialisation, which puts a premium on technical characteristics, rather than price. Although there is fierce competition from synthetic rubber, advocates of the natural product are confident that it can maintain, or marginally increase its current 32 per cent market share.

During the past five years, Malaysia's rubber production has been stagnant, but output for the first six months of this year has risen by 45,000 tonnes to 738,000 tonnes—the increase coming largely from the smallholders, who, in response to the higher prices, are tapping their trees more extensively.

LONDON MARKETS

NICKEL PRICES made further ground on the London Metal Exchange yesterday as a rise based on technical tightness sparked off a wave of nervous covering by operators who had *sold* the market short earlier. The upward trend was aided by the breach of a chart resistance point at around $2.40 a lb, dealers said. They added that consumer demand appeared to be holding up well enough to counteract any downward pressure that might have been expected to result from the removal of the strike threat to Inco's Thompson facility in Manitoba. The only other rise of any *size* among the base metals was in zinc, which responded to short-covering and *trade buying. There was still* no apparent bearish reaction to news of the collapse of talks aimed at agreeing a joint strategy for rationalising European zinc production dealers noted. On the London coffee futures market prices regained much of Tuesday's decline in response to steadiness on the New York market. But traders said interest in the market appeared to be flagging, possibly because of the approach of next week's International Coffee Organisation *talks* on the reinstatement of export quotas.

LME prices supplied by *Amalgamated Metal Trading.*

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	1725-35	-5	—
3 months	1693-5	+9	1705/1685

Official closing (am): Cash 1,735-45 (1,745-55), three months 1,695-1,705 (1,695-1,700), settlement 1,745 (1,755). Final Kerb close. 1,700-10. Ring turnover: 1,100 tonnes.

99.5% purity	£ per tonne	+ or —	High/Low
Cash	1029-31	+1	—
3 months	1001-3	-3	1010/999

Official closing (am): Cash 1,031-3 (1,031-2), three months 1,001-2 (1,009.5-10), settlement 1,033 (1,032). Final Kerb close: *1,006-7.* Ring turnover: *20,500* tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1092-3	-2	1095/1090
3 months	1077-8	-3.75	1080/1073

Official closing (am): Cash 1,092-4 (1,091-2), three months 1,078-8.5 (1,079-9.5), settlement 1,094 (1,092). Final Kerb close: 1,078-9.

Standard			
Cash	1065-8	-5.5	—
3 months	1068-70	-5.5	—

Official closing (am): Cash 1,085-8 (1,085-9), three months 1,068-70 (1,070-5), settlement 1,088 (1,089). US Producer prices 85-89 cents a pound. Total ring turnover: 44,900 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	387-8	+1	389/388
3 Months	370.5-1	-2.5	372/361

Official closing (am): Cash 388-9 (382-2.5), three months 370-1 (372-2.5), *settlement* 389 (382.5). *Final Kerb* close: 372-3. Ring turnover: 14,350 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3245-50	+46.5	3240
3 months	3260-5	+46	3270/3220

Official closing (am): Cash 3,240-5 (3,185-90), three months 3,239-40 (3,195-205), settlement 3,245 (3,190). Final Kerb close: 3,265-65. Ring turnover: 866 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	453-3.5	+5.75	—
3 months	457-7.5	+4.75	460/455

Official closing (am): Cash 453-4 (453.5-4.5), three months 457.5-8 (459-60), settlement 454 (454.5). Final Kerb close: 459-61. Ring turnover: 14,000 tonnes. US Prime Western: 43-47.75 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price	Calls		Puts	
	$/tonne	Nov.		Nov.	
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,650	78	57½	50	101½
	1,675	65½	49	61½	117
	1,700	54	41	75	133½
Copper (Grade A)	1,725	89	89	34	66
	1,750	74	77	44	78
	1,800	49½	66	67	106
	$/tonne				
Copper (Grade A)	1050	61	53	16	34
	1075	36	41	25	46
	1100	24	31	59	60

TIN

KUALA LUMPUR TIN MARKET—Close: 16.92 (16.91) ringgit per kg. Up 0.01.

GOLD

GOLD BULLION (fine ounce)	Sept. 16	
Close	$458¼-458¾	(£278-278½)
Opening	$459½-460	(£279¼-279¾)
M'n'g fix	$458.60	(£278.639)
Aft'n'n fix	$458.40	(£278.493)
Day's high	$459¼-460¼	—
Day's low	$457¼-457¾	—

GOLD AND PLATINUM COINS		
Am Eagle	$471-476	(£285¼-289¼)
Mapleleaf	$471-474	(£286¼-288)
Kr'g'r'nd	$457-460	(£277½-279½)
½ Krug.	$234½-244	(£142½-148½)
¼ Krug.	$116¼-124¼	(£70½-75½)
Angel	$469-472	(£284¾-286¾)
1/10 Angel	$45¼-50¼	(£27½-30½)
New Sov.	$107¼-108¼	(£65½-65¾)
Old Sov.	$107¾-108¾	(£65½-65¾)
Noble Plat.	$601-611	(£365¼-371¼)

INDICES

REUTERS

Sept. 16	Sept. 15	M'th ago	Year ago
1654.7	1658.3	1672.4	1514.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 15	Sept. 14	M'th ago	Year ago
Spot	128.21	128.81	—	121.99
Fut	130.80	131.16	—	124.84

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 16 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1765/755		$1846/860
Copper			
Cash Grade A	£1092.5	-2	£1075.5
3 months	£1077.5	-3.75	£1064.25
Gold Troy oz	$458.5	-1	$455.75
Lead Cash	£387.5	+1	£400.5
3 months	£370.75	-2.5	£384.5
Nickel			
Free Mkt	248/268c	+4	234/254c
Palladium oz	$137.50		$139.00
Platinum oz	$588.25	+0.5	$595.40
Quicksilver†	$300/310		$270/288
Silver troy oz	463.35p	-6.05	476.55p
3 months	474.80p	-6.09	488.95p
Tin			
free Mkt	£4150/160	-30	£4180/210
Tungsten	$55.47		$53.69
Wolfram 22.0lb	$40/57		$43/55
Zinc	£453.25	+5.75	£497.5
3 months	£457.25	+4.75	£487.75
producers	$860		$860
OILS			
Coconut (Phil)	$490u	+10	$480
Palm Malayan	$335z		$320
Seeds			
Copra (Phil)	$515		$310
Soyabean (U.S.)	$151	-1.5	$147.5
GRAINS			
Barley Fut. Nov.	£101.55	-0.10	£101.10
Maize	£150.00	-8	£152.00
Wheat Fut. Nov.	£105.10	-0.60	£102.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1254	+10.5	£1285.5
Coffee Ft. Nov	£1308.5	+12.5	£1262
Cotton A Ind.*	82.50c	-0.65	87.30c
Gas Oil. Nov.	$159	-1	$157.25
Rubber (kilo)	71.5p		69.75p
Sugar (raw)	$156.4w	+6.2	$157.5
Wooltops 64s	490p kilo		580pkilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 6.05p an ounce lower for spot delivery in the London bullion market yesterday at 463.35p. US cent equivalents of the fixing levels were: Spot 762.1c, down 8.9c; three-month 776.55c, down 8.55c; six-month 791.95c, down 8.25c; and 12-month 825.8c, down 10.2c. The metal opened at 465½-467p (766-768c) and closed at 462½-464p (762-764c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoff'l c'l	+ or —
Spot	463.35p	-6.05	760c	-4
3 months	474.80p	-6.80	774.5c	-5.5
6 months	486.50p	-6.55	—	—
12 months	510.55p	-7.40	—	—

LME—Turnover: Nil (nil) lots of 10,000 ounces.
Three months final kerb 775-8c.

COFFEE

Robustas consolidated after Tuesday's fall and prices were confined to an early established trading range, reports Drexel Burnham Lambert. The market traded quietly throughout the day in *a very mixed fashion. Renewed scale*-down buying provided good support, enabling the market to maintain levels. A late bout of short-covering steadied values.

COFFEE	Yesterday close	+ or —	Business done
Sept	1270-1275	+5.0	1278-1265
Nov	1308-1309	+12.5	1310-1294
Jan	1336-1337	+11.0	1337-1323
Mar	1353-1354	+4.5	1353-1343
May	1371-1373	+9.0	1369-1368
July	1385-1395	+7.0	1386-1382
Sept	1400-1420	-5.0	—

Sales: 2,231 (3,390) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 15: Comp. daily 1979 104.18 (105.57); 15-day average 105.51 (106.11).

COCOA

The market opened as due, trading about *£10 lower.* In the afternoon aggressive commission house buying supported the market which closed near the day's highs. With the origins still withdrawn there was only light *consumer interest, reports Gill and* Duffus.

	Yesterday's close	+ or —	Business done
	£ per tonne		
Sept	1195-1200	+12.5	1165-1174
Dec	1233-1235	+10.5	1258-1206
March	1266-1267	+12.0	1268-1240
May	1288-1289	+12.0	1288-1262
July	1309-1311	+13.5	1306-1285
Sept	1326-1328	+11.0	1328-1301
Dec	1346-1347	+12.0	1346-1320

Sales: 4,986 (6,262) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 15: 1,536.20 (1,525.44); 10-day average for September 16: 1,533.12 (1,536.86).

FREIGHT FUTURES

In a similar trade to Tuesday the support level at 1,040, basis October, was tested again. However, levels bounced well and rallied 25 points *before* profit-taking pulled levels back from the high on the close, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
Oct.	1056	1065/1041	1035/1042
Jan.	1092	1106/1078	1076
Apr.	1125/1170	1166/1155	1136
July	1020/1070	—	1040
Oct.	1140	—	1135
Jan.	1150	—	1145
April	1190	—	1187.5
BFI.	1046	—	1048

Turnover: 192 (236).

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 95.50, Nov 96.75. US No 2 Soft Red Winter: Oct 90.50, Nov 93.25, Dec 94.50. French 11½-12 per cent: Sept 135.00 sellers. English feed, fob: Oct 107.00-108.00 buyer/sellers, Oct/Dec 108.75 sellers, Jan/March 110.50-111.50 buyer/sellers, April/June 115.50 sellers. Maize: US No 3 Yellow/French, transhipment East Coast: Sept 150.00 seller. Barley: English feed: Oct/Dec 106.50, Jan/March 110.50 sellers.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
Sep.	104.85	-0.18	99.65	+0.25
Nov.	105.10	-0.60	101.55	-0.10
Jan.	107.15	-0.55	104.45	-0.10
Mar.	109.80	-0.50	106.50	-0.10
May	112.50	-0.45	108.35	-0.15
July	115.00	-0.40	—	—

Wheat found persistent merchant selling pressure and eased on deferred positions throughout the day but found keen short-covering on the spot position. Barley eased to trade 25p down before rediscovering trade support, reports T. G. Roddick.

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 98.70, E. Midlands 97.40, N. East 97.50, Scotland 94.20. The UK monetary coefficient for the week beginning Monday September 21, will remain unchanged.

Business done—Wheat: Sept 105.10-4.80 Nov 105.60-5.10, Jan 107.60-7.15 March 110.20-9.80, May 112.85-2.50, July untraded. Sales: 308 lots of 100 tonnes. Barley: Sept 99.65-9.50, Nov 101.80-1.45, Jan 104.50-4.35, March 106.50-6.35, May untraded. Sales: 231 lots of 100 tonnes.

POTATOES

The market was slightly higher due to wet weather, but in very thin trade, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	83.90	82.50	83.00-82.50
Feb.	92.00	91.00	—
March	87.30	84.30	86.00
Apr.	132.00	131.60	132.30-131.60
May	145.50	144.60	—

Sales: 571 (1,037) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.85-16.90	-0.075
Brent Blend	18.55-18.65	+0.045
W.T.I. (1pm edt)	19.80-19.85	+0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($per tonne)		
Premium gasoline	173-176	+1
Gas Oil	154-156	-1
Heavy fuel Oil	94-98	—
Naphtha	156-159	+1

Petroleum Argus estimates
* October.

SOYABEAN MEAL

Prices moved lower through the day on profesional and local selling against scale-down commercial buying in lacklustre conditions, reports Muirpace.

	Yest'rd'ys close	+ or —	Business done
	£ per tonne		
October	13[illegible].8-135.2	-2.50	135.8
Dec	131.5-132.0	-0.95	131.8-131.5
Feb	132.3-133.0	-0.95	—
April	132.5-133.0	-1.20	—
June	127.4-127.6	-1.60	—
August	125.0-128.0	-2.00	—
October	128.0-128.5	-1.25	—

Sales: 90 (63) lots of 20 tonnes.

US MARKETS

PERSISTENT LOCAL and fund selling in silver saw the market fall sharply in good volume as commission house stops were elected in the afternoon, reports Drexel Burnham Lambert. Trade scale-down buying was noted. Gold and platinum were both quiet, tending to be dominated by local activity. Both fell as local selling hit stops, but trade support led to short-covering which pared losses. Copper managed to reach new contract highs again on trade buying and commission house stops. Profit-taking at the close pared gains. Crude oil eased after early trade buying on trade and local selling. Commission houses were noted as an early seller. Coffee fell as locals sold into commission house stops, but rallied towards the close on profit-taking. Cocoa fell on local selling, but trade buying prompted short-covering as the market erased earlier losses. Arbitrage buying and renewed trade buying took cocoa to the highs, touching off stops, before profit-taking eased prices slightly. Sugar firmed on trade buying and commission house short-covering in the face of price-fix selling. Cotton was limit-up on commission house buying following earlier trade selling, on reports of adverse weather in the Delta region. Cattle moved to limit-down on commission house liquidation as interpretations of the cattle-on-feed report pointed to less constructive conditions for forward months. Short-covering pared losses. Hogs and pork bellies both reacted to cattle's weakness, but the feeling that cash prices are pausing in their downward move and that pork values are cheap, led to a slight recovery.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	80.70	71.25	—	—
Oct	78.45	79.00	—	—
Nov	78.45	79.00	—	—
Dec	77.70	78.25	77.25	77.25
Jan	76.00	76.35	—	—
March	73.25	73.50	—	—
May	70.40	70.50	—	—
July	68.50	68.50	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Dec	1904	1890	1922	1872
March	1924	1915	1937	1895
May	1951	1941	1964	1925
July	1973	1965	1985	1950
Dec	2021	2014	2034	2025

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
Sept	111.60	111.75	112.20	111.50
Dec	114.34	114.22	115.20	113.80
March	117.94	117.52	118.35	117.00
May	119.25	119.25	119.60	119.00
July	122.00	120.50	121.00	120.00
Sept	122.00	122.20	122.50	120.70
Dec	123.25	123.00	123.25	123.25

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	82.70	81.30	82.70	81.05
Oct	81.70	80.20	—	—
Nov	81.30	78.75	—	—
Dec	80.75	79.20	80.90	79.00
Jan	80.05	78.55	—	—
March	78.75	77.25	78.85	77.05
May	78.00	76.50	78.10	76.60
July	76.55	75.10	—	—
Sept	77.05	75.60	75.70	75.65
Dec	76.95	76.50	75.80	75.50

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	75.89	73.89	75.89	73.75
Dec	75.62	73.62	75.62	73.45
March	76.92	74.92	76.92	74.90
May	77.35	75.35	77.35	75.35
July	77.03	75.03	77.03	75.00
Oct	70.33	69.00	70.75	70.40
Dec	68.08	68.95	68.35	67.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Oct	19.70	19.70	19.91	19.66
Nov	19.37	19.39	19.55	19.32
Dec	19.22	19.20	19.35	19.18
Jan	19.16	19.11	19.25	19.11
Feb	19.13	19.06	19.19	19.06
March	19.05	19.02	19.11	19.05
April	19.03	18.99	19.06	19.03
May	19.00	18.96	19.08	19.00
June	19.00	18.94	19.00	19.00
July	18.98	18.92	18.98	18.98

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 757.0 (769.0) cents per troy ounce. New York tin 316.5-318.0 (316.0-318.0) cents per pound.

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Sept	457.8	458.6	—	—
Oct	459.2	460.0	460.8	457.0
Nov	462.3	463.1	461.0	461.0
Dec	465.1	465.3	466.5	462.8
Feb	471.5	472.3	472.6	469.0
April	477.8	478.6	478.5	475.5
June	484.3	485.1	483.0	483.0
Oct	498.2	499.0	—	—
Dec	505.4	506.2	505.5	502.5
Feb	512.8	513.6	—	—
June	527.7	528.5	527.8	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Oct	52.15	52.60	52.89	52.00
Nov	52.90	53.18	53.55	52.85
Dec	53.45	53.79	54.10	53.35
Jan	54.15	54.39	54.70	54.00
Feb	54.40	54.67	54.90	54.40
March	52.75	53.07	53.10	52.75
April	51.80	51.77	51.80	51.80
May	50.40	50.52	50.60	50.66
June	49.80	50.02	50.05	49.90
July	50.10	50.22	—	—

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	139.10	138.65	138.10	138.65
Nov	131.30	130.20	131.30	130.45
Jan	128.55	128.00	128.55	128.00
March	128.85	128.25	128.70	128.30
May	129.05	128.75	—	—
July	129.35	129.35	—	—
Sept	129.55	129.55	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
Oct	584.4	586.4	588.0	578.0
Jan	592.1	594.1	595.5	585.5
April	600.2	602.2	603.0	598.0
July	608.4	610.4	—	—
Oct	618.9	618.9	616.0	616.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
Sept	746.0	762.3	763.0	743.0
Oct	748.5	765.0	—	—
Nov	753.7	770.4	—	—
Dec	758.5	775.5	786.0	750.0
Jan	763.6	780.6	774.0	774.0
March	776.4	792.4	800.0	770.0
May	787.0	804.0	808.0	786.0
July	799.2	816.2	817.0	797.5
Sept	811.5	828.5	—	—

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	6.17	6.04	6.18	5.99
Jan	6.60	6.30	6.63	6.50
March	6.99	6.85	6.99	6.78
May	7.17	7.06	7.20	6.98
July	7.32	7.20	7.32	7.16
Oct	7.53	7.43	7.56	7.38
Jan	7.75	7.65	—	—

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	67.35	68.35	67.92	66.92
Dec	66.90	68.37	67.72	66.87
Feb	66.80	68.17	67.60	66.67
April	67.72	68.87	68.40	67.37
June	67.70	68.72	68.10	67.22
Aug	66.12	67.15	66.50	65.80
Oct	65.00	66.30	66.00	64.80

LIVE HOGS 30,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	47.82	48.15	48.40	47.30
Dec	46.25	46.42	46.60	45.65
Feb	44.17	44.40	44.52	43.82
April	41.57	42.15	41.97	41.50
June	43.80	43.95	43.85	43.60
July	44.30	44.45	44.40	44.00
Aug	43.17	43.30	43.25	43.00
Oct	40.70	40.67	40.87	40.65
Dec	40.77	—	40.77	40.75

MAIZE 5,000 bu min, cents/56lb bushel

	Close	Prev	High	Low
Sept	175.0	170.6	175.0	169.4
Dec	180.2	176.4	180.4	175.4
March	189.2	185.6	189.4	184.4
May	194.2	191.0	194.2	189.4
July	196.2	193.0	196.4	192.0
Sept	193.2	190.4	194.0	192.0
Dec	198.0	195.0	198.0	194.4

PORK BELLIES 38,000 lbs, cents/lbs

	Close	Prev	High	Low
Feb	59.32	59.30	59.65	58.00
March	58.50	58.65	58.75	57.35
May	58.92	58.50	58.95	57.70
July	58.90	58.70	58.90	57.80

SOYABEANS 5,000 bu min, cents/60lb bushel

	Close	Prev	High	Low
Sept	528.4	525.4	532.0	522.4
Nov	535.0	527.0	538.0	525.8
Jan	540.4	534.0	543.0	531.6
March	548.2	540.4	549.0	538.0
May	551.6	548.0	554.2	543.4
July	553.0	547.4	556.6	545.4
Aug	549.4	544.0	552.0	544.0
Sept	542.0	537.0	545.0	536.4

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
Sept	179.9	177.0	180.7	175.0
Oct	174.6	171.4	175.9	170.1
Dec	170.7	167.5	172.3	166.6
Jan	169.0	166.2	170.0	164.5
March	167.7	165.2	168.5	163.6
May	165.7	164.5	167.5	163.0
July	164.1	163.0	166.5	163.3
Aug	163.5	163.0	164.0	163.5
Sept	162.7	163.0	162.5	163.0

SOYABEAN OIL 60,000 lb, cents/lbs

	Close	Prev	High	Low
Sept	15.98	15.90	16.03	15.90
Oct	15.96	15.92	16.13	15.88
Dec	16.34	16.30	16.53	16.28
Jan	16.50	16.48	16.70	16.43
March	16.86	16.78	17.06	16.75
May	17.08	17.00	17.25	17.00
July	17.27	17.22	17.48	17.20
Aug	17.27	17.30	17.25	17.30
Sept	17.32	17.35	17.35	17.30
Oct	17.55	17.40	17.60	17.55

WHEAT, 5000 bu min, cents/60lb bushel

	Close	Prev	High	Low
Sept	285.0	282.4	286.0	280.0
Dec	298.2	295.2	299.0	293.6
March	304.4	301.2	305.0	300.2
May	299.2	296.2	300.0	296.0
July	284.4	282.6	285.4	282.0
Sept	286.4	285.6	286.4	284.0

SUGAR

LONDON DAILY PRICE—Raw sugar $156.40 (£95.40), up $6.20 (up £3.40) a tonne for October-November delivery. White sugar $184.20, up $2.20.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct.	138.8-138.2	138.4-138.8	138.9-138.4
Dec	148.0-148.8	142.8-143.4	146.8-142.8
Mar	155.4-155.8	152.8-152.8	156.4-152.4
May	159.2-159.8	156.8-157.0	160.0-159.4
Aug	165.8-164.0	160.8-161.8	162.8-160.8
Oct.	138.4-169.0	166.2-166.4	168.0-165.0
Dec	172.2-175.4	169.8-171.6	—
No. 5 Whites			
Oct.	182.5	181.8-185.0	—
Dec	184.0-185.0	182.0-184.6	185.0-185.0
Mar	189.8-190.0	187.0-188.6	190.8-187.5
May	191.2-194.5	191.0-191.6	192.8-191.8
Aug	195.0-199.8	194.0-195.0	198.5-195.5
Oct.	—	198.0-199.9	—
Dec	205.0-208.6	199.5-205.0	—

Sales: No 6 2,922 (1,670) lots of 50 tonnes; No 5 2,039 (1,524).

Tate and Lyle delivery price for granulated basis sugar was £200.00 (£196.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 15: *Daily* price 5.72 (5.68): 15-day average 5.55 (5.52).

PARIS—Whites (FFr per tonne): Oct 1100-1104, Dec 1135-1139, March 1160-1165, May 1184-1192, Aug 1209-1217, Oct 1133-1142.

GAS OIL FUTURES

Month	Yesterd'ys close	+ or —	Business done
	US$ per tonne		
Oct	155.75	-0.25	158.75-55.00
Nov	158.00	-1.00	158.75-57.00
Dec	159.50	-1.50	160.75-58.00
Jan	161.25	-1.25	161.25
Feb	161.50	-1.50	161.50

Turnover: 3,571 (4,676) lots of 100 tonnes.

JUTE

JUTE — September/October, c and f Dundee: BTC $570, BWC $580, BTD $495, BWD $485; c and f Antwerp: BTC $640, BWC $530, BWD $475, BTD $485.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound better as dollar holds

THE DOLLAR traded quietly, showing no sign of breaking out of its recent range of DM 1.79 to DM 1.82 and Y141 to Y145.

Confidence was further undermined by Tuesday's news of a record $41.1bn US current account deficit for the second quarter, and by growing nervousness in US credit markets, as Treasury bond prices continued to fall. The general mood among dealers suggested another depreciation of the dollar, but possibly not in the immediate future.

Support from technical factors may first push the currency higher, as traders cover short positions taken out before last week's US trade figures. Dealers said this could lift the dollar higher, but only until the technical shortage of dollars has been corrected, and saw chart based resistance at DM 1.8225.

Downward pressure from the US trade deficit is then expected to resume, although the market is likely to become increasingly nervous ahead of the International Monetary Fund annual meeting at the end of the month.

Any sign of the dollar testing lows touched earlier this year may bring central banks into action, as finance ministers from the major industrial nations discuss again the subject of currency stability.

The dollar closed unchanged at DM 1.8155 and at SFr 1.5055, while improving to Y144.35 from Y144.00 and easing to FFr 6.0525 from FFr 6.0575.

On Bank of England figures the dollar index was unchanged at 101.0.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index rose 0.1 to 73.1, compared with 71.4 six months ago.

Sterling traded steadily, gaining ground against the dollar and major currencies in general, as underlying sentiment was boosted by encouraging economic news. The August Public Sector Borrowing Requirement of £750m was about half the figure expected by the City, while the rise of 2.2 per cent in July industrial production was about double most forecasts, and reversed June's fall of a revised 1.3 per cent.

The pound gained 30 points to $1.6450-1.6460 and also rose to DM 2.9875 from DM 2.9825; to Y237.50 from Y236.50; to SFr 2.4775 from SFr 2.4725; and to FFr 9.96 from FFr 9.95.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. August average 1.8573. Exchange rate index 146.7 against 147.2 six months ago.

The D-Mark showed very little change against the dollar, after a very quiet day. The dollar closed at DM 1.8130 in Frankfurt, compared with DM 1.8120 on Tuesday. The Bundesbank did not intervene earlier in the day when the dollar was fixed at DM 1.8123, against DM 1.8176.

Dealers spoke of strong technical resistance at DM 1.8225, and continued a further fall in the value of the US currency.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 220.9 against 211.9 six months ago.

The yen was little changed against the dollar, with the US currency closing at Y143.80 in Tokyo, compared with Y143.90 on Monday. The market was closed for a public holiday on Tuesday.

Sentiment towards the dollar remained depressed following last Friday's US trade figures, but dealers noted the currency has found support at Y141, followed by selling resistance at Y145. In the absence of new factors it was suggested this may be the trading range until the IMF annual meeting at the end of the month.

£ IN NEW YORK

Sept. 16	Latest	Previous Close
£ Spot	1.6400-1.6410	1.6460-1.6470
1 month	0.30-0.29pm	0.32-0.30pm
3 months	0.93-0.90pm	0.96-0.94pm
12 months	2.78-2.68pm	2.88-2.81pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 16	Previous
8.30 am	73.1	72.9
9.00 am	73.1	72.9
10.00 am	73.1	73.0
11.00 am	73.0	73.0
Noon	73.1	73.0
1.00 pm	73.0	73.0
2.00 pm	73.1	73.0
3.00 pm	73.1	73.0
4.00 pm	73.1	73.0

CURRENCY RATES

Sept. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78460	0.696513
U.S. Dollar	5.5	1.2907	1.14611
Canadian $	8.75	*	1.51000
Austrian Sch.	4	16.46245	14.6083
Belgian Franc	7¼	48.5257	43.0652
Danish Krone	7	9.00885	7.99298
Deutsche Mark	3.0	2.3391	2.07584
Neth. Guilder	4½	N/A	2.33543
French Franc	9½	"	6.92309
Italian Lira	12	"	1498.08
Japanese Yen	2½	185.40	164.719
Norway Krone	8	N/A	7.60846
Spanish Peseta	—	"	138.966
Swedish Krona	7½	"	7.38188
Swiss Franc	3.5	"	1.72031
Greek Drach.	20½	178.732	158.668
Irish Punt	—	0.87260	0.774871

*C$/SDR rate for Sept. 15; 1.69419

CURRENCY MOVEMENTS

Sept. 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.1	−20.3
U.S. Dollar	101.0	−5.9
Canadian Dollar	78.4	−9.8
Austrian Schilling	137.5	+10.0
Belgian Franc	99.9	−4.7
Danish Krone	90.8	+1.0
Deutsche Mark	146.7	+21.4
Swiss Franc	172.5	+22.5
Guilder	134.9	+14.4
French Franc	71.5	−18.2
Lira	47.3	−13.0
Yen	220.9	+64.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (Base average 1975=100).

OTHER CURRENCIES

Sept. 16	£	$
Argentina	4.0295-4.0475	2.4490-2.4590
Australia	2.2415-2.2445	1.3635-1.3645
Brazil	81.4015-81.8425	49.4720-49.7190
Finland	7.2168-7.2275	4.3910-4.3930
Greece	225.75-229.70	137.20-139.50
Hong Kong	12.8000-12.8080	7.8025-7.8035
Iran	117.55*	71.15*
Korea(Sth)	1321.75-1333.70	803.10-809.70
Kuwait	0.46240-0.46290	0.28105-0.28115
Luxembourg	61.90-62.00	37.60-37.70
Malaysia	4.1300-4.1600	2.5205-2.5220
Mexico	2530.75-2543.85	1538.00-1545.00
N. Zealand	2.5765-2.5815	1.5675-1.5695
Saudi Ar.	6.1705-6.1760	3.7500-3.7510
Singapore	3.4200-3.4500	2.0915-2.0925
S. Af. (Cm)	3.3590-3.3745	2.0450-2.0500
S. Af. (Fn)	5.3930-5.5755	3.2785-3.3895
Taiwan	49.40-49.65	30.05-30.15
U.A.E.	6.0430-6.0485	3.6725-3.6735

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0652	+1.43	+0.74	± 1.5344
Danish Krone	7.85212	7.99298	+1.79	+1.10	± 1.6404
German D-Mark	2.05853	2.07584	+0.84	+0.15	± 1.0981
French Franc	6.90403	6.92309	+0.28	−0.41	± 1.3674
Dutch Guilder	2.31943	2.33543	+0.69	0.00	± 1.5012
Irish Punt	0.768411	0.774872	+0.84	+0.15	± 1.6684
Italian Lira	1,483.58	1,498.08	+0.98	+0.91	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6430-1.6480	1.6450-1.6460	0.31-0.28 cpm	2.15	0.95-0.90 pm	2.25
Canada	2.1655-2.1722	2.1700-2.1710	0.15-0.05 c pm	0.55	0.32-0.20 pm	0.48
Netherlands	3.35-3.36½	3.35½-3.36½	1½-1⅛ c pm	4.46	3⅞-3⅝ pm	4.46
Belgium	61.77-62.00	61.90-62.00	20-14 c pm	3.29	56-46 pm	3.29
Denmark	11.46¾-11.50¾	11.48-11.49	¼-⅝ ore dis	−0.26	¼-1⅜ dis	−0.41
Ireland	1.1120-1.1168	1.1130-1.1140	0.10-0.02 par pm	0.65	0.22-0.12 pm	0.61
W. Germany	2.97¾-2.99¼	2.98¼-2.99¼	1½-1¼ pf pm	5.52	4⅜-4⅛ pm	5.69
Portugal	234.50-235.67	234.70-235.60	89-139 c dis	−5.82	260-344 dis	−5.14
Spain	199.70-200.28	199.80-200.10	106-124 c dis	−6.90	280-331 dis	−6.11
Italy	2149-2155¾	2153½-2154½	9-13 lire dis	−6.13	21-26 dis	−4.46
Norway	10.91½-10.95	10.92-10.93	3⅝-4 ore dis	−4.19	10⅝-10⅞ dis	−3.75
France	9.93½-9.96½	9.95½-9.96½	2-1½ c pm	2.11	5⅛-4⅞ pm	1.86
Sweden	10.47¾-10.50¾	10.48½-10.49½	¾pm-¼ore pm	0.57	1⅝-¾ pm	0.45
Japan	236¼-238	237-238	1¼-1 y pm	5.68	3½-3⅛ pm	5.58
Austria	20.96-20.99	20.97-20.99	10-9 gro pm	5.43	28¾-26¼ pm	5.20
Switzerland	2.46¾-2.48¾	2.47¾-2.48¾	1⅜-1¼ c pm	6.05	3⅞-3⅝ pm	6.05

Belgian rate is for convertible francs. Financial franc 62.15-62.25. Six-month forward dollar 1.69-1.64 c pm. 12-month 2.75-2.65 c pm. Correction for Sept 15 Canada,close: 2.1585 - 2.1595 Portugal, close: 234.45 - 235.35

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6430-1.6480	1.6450-1.6460	0.31-0.28c pm	2.15	0.95-0.90pm	2.25
Ireland†	1.4770-1.4790	1.4770-1.4780	0.19-0.14c pm	1.34	0.59-0.49pm	1.46
Canada	1.3150-1.3185	1.3175-1.3185	0.15-0.18c dis	−1.50	0.55-0.58 dis	−1.72
Netherlands	2.0360-2.0430	2.0420-2.0430	0.43-0.40c pm	2.44	1.19-1.14pm	2.29
Belgium	37.50-37.70	37.60-37.70	4.50-2.50c pm	1.12	12.00-8.00pm	1.06
Denmark	6.97¼-6.99¼	6.97¾-6.98¼	0.80-1.50ore dis	−1.98	2.80-3.50 dis	−1.81
W. Germany	1.8095-1.8165	1.8150-1.8160	0.55-0.52pf pm	3.54	1.60-1.55pm	3.48
Portugal	142½-143	142¾-143	50-150c dis	−8.46	225-425 dis	−9.16
Spain	121.17-121.63	121.30-121.35	75-95c dis	−8.39	210-250 dis	−7.57
Italy	1304¼-1309½	1308¾-1309¼	7.50-9.00lire dis	−7.57	20.50-22.00dis	−6.50
Norway	6.63-6.64¾	6.63¾-6.64¼	3.35-3.70ore dis	−6.37	9.90-10.30dis	−6.08
France	6.03½-6.05¾	6.05-6.05½	par-0.10c dis	−0.10	0.45-0.75 dis	−0.40
Sweden	6.36½-6.38¾	6.37¾-6.37¾	0.70-1.00 ore dis	−1.60	2.70-3.10 dis	−1.82
Japan	143.30-144.40	144.30-144.40	0.44-0.41y pm	3.55	1.24-1.19 pm	3.38
Austria	12.74-12.79	12.75-12.75½	4.00-3.00gro pm	3.29	10.50-8.50pm	2.98
Switzerland	1.5000-1.5060	1.5050-1.5060	0.49-0.46c pm	3.79	1.46-1.41 pm	3.82

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85

EURO-CURRENCY INTEREST RATES

Sept. 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½-9¼	9½-9⅜	9¾-9⅝	10⅙-9⅞	10⅝-10⅛	10⅝-10⅛
U.S. Dollar	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅝-7½	8⅛-8	8¼-8⅛
Can. Dollar	8⅞-8⅝	8⅞-8⅝	8⅞-8⅞	9⅛-9	9⅞-9⅞	10⅛-10⅛
D. Guilder	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅜-5¼	5⅞-5⅞	5⅞-5⅞
Sw. Franc	2-1⅞	2-1⅞	3⅛-3⅝	3⅞-3⅝	4⅞-4⅞	4⅞-4⅞
Deutschmark	3⅞-3⅝	3⅞-3¼	4⅛-3⅞	4⅛-3⅞	4⅞-4½	4⅞-4⅝
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.646	2.988	237.5	9.960	2.478	3.360	2154.	2.171	61.95
$	0.608	1.	1.815	144.4	6.053	1.506	2.043	1309.	1.319	37.65
DM	0.335	0.551	1.	79.50	3.334	0.829	1.125	721.0	0.727	20.74
YEN	4.211	6.928	12.58	1000.	41.94	10.43	14.15	9069.	9.139	260.8
F Fr.	1.004	1.652	2.999	238.5	10.	2.487	3.373	2163.	2.179	62.20
S Fr.	0.404	0.664	1.206	95.86	4.020	1.	1.356	869.4	0.876	25.01
H Fl.	0.298	0.490	0.889	70.68	2.964	0.737	1.	641.1	0.646	18.44
Lira	0.464	0.764	1.387	110.3	4.624	1.150	1.560	1000.	1.008	28.76
C $	0.461	0.758	1.376	109.4	4.589	1.141	1.548	992.3	1.	28.54
B Fr.	1.614	2.656	4.822	383.4	16.08	3.999	5.424	3477.	3.504	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fail to respond

BETTER THAN expected economic data failed to give gilt prices a boost in the London International Financial Futures Exchange yesterday. UK PSBR figures for August were about half the amount expected at £750m while the total so far this tax year of £1.4bn was also encouraging. Industrial production rose by 2.2 per cent and manufacturing output was higher by a significant 1.6 per cent.

However, the gilt market failed to react to this as a sign of domestic output growing to meet domestic demand since it had other things to influence trading. There was inevitably some comments about the economy in danger of over-heating and higher interest rates but much of the day's trading appeared to be influenced by the bloodbath which continued to undermine US bonds.

The December gilt price opened at 114-00, down from 114-04 on Tuesday and improved initially to 114-03 before slipping away to trade at 114-23-27 for much of the morning. The range widened to 113-20-28 ahead of the figures and although an initial response took values back up to 114-05, there was no follow through and a weaker opening in US bond markets soon reversed the firmer trend. It closed at 113-27. Traders were still focussing their attention on tomorrow's UK money supply

US Treasury bonds were lower in response to bad trade figures. Tuesday's record deficit seen in the second quarter only served to underline the previous week's announcement of a record monthly deficit in July. The authorities' apparent lack of direction gave further rise for concern and the prospects of higher interest rates caused a real scare. The December price opened at 82-02 down from 82-23 and finished at the day's low of 81-16.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.16	7.01	0.26	1.05
110	4.38	5.36	0.48	1.40
112	3.09	4.17	1.19	2.21
114	1.61	3.06	2.07	3.10
116	1.09	2.20	3.19	4.24
118	0.40	1.42	4.50	5.46
120	0.20	1.10	6.30	7.14
122	0.11	0.50	8.21	8.54

Estimated volume total, Calls 1,186 Puts 1,239
Previous day's open int: Calls 19,591 Puts 14,254

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	5.62	5.36	0.30	0.60
78	4.26	4.12	0.58	1.36
80	3.02	3.02	1.34	2.26
82	1.54	2.07	2.22	3.31
84	0.61	1.26	3.29	4.50
86	0.28	0.57	4.60	6.17
88	0.13	0.35	6.45	7.59
90	0.05	0.21	8.37	9.45
92	0.02	0.12	10.34	11.36

Estimated volume total, Calls 109 Puts 201
Previous day's open int: Calls 686 Puts 462

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Sept.	Calls-Last Oct.	Puts-Last Sept.	Puts-Last Oct.
22750	2.05	7.13	3.15	3.78
23000	1.17	5.75	4.77	4.90
23250	0.61	4.56	6.71	6.21
23500	0.29	3.55	8.89	7.70
23750	0.12	2.71	11.22	9.36
24000	0.05	2.04	13.65	11.19
24250	0.02	1.50	16.12	13.15
24500	0.01	1.08	18.61	15.23

Estimated volume total, Calls 13 Puts 7
Previous day's open int: Calls 487 Puts 287

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]
[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]
[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]
[illegible]

LIFFE-EURODOLLAR OPTIONS

$1m points of 100%

[illegible]
[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT BOND; THREE-MONTH STERLING; THREE-MONTH EURODOLLAR; US TREASURY BONDS; FT-SE 100 INDEX

[illegible]
[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]
[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE); IMM—STERLING $ per £; LIFFE—STERLING £25,000 $ per £

[illegible]
[illegible]

MONEY MARKETS

UK rates unmoved by good figures

INTEREST RATES were barely changed in the London money market yesterday. Better than expected PSBR and manufacturing output figures failed to create much of a response. This was partly because traders could still see little reason why interest rates were likely to move from current levels, especially not downwards and also because attention was focussed on tomorrow's release of bank lending and money suppl figures.

UK clearing bank base lending rate 10 per cent since August 7

Three-month interbank money was quoted at 10⅛-10 per cent, the same as on Tuesday while the six month rate was also unchanged at 10⅜-10¼ per cent. Overnight money continued to be in reasonable supply even though the Bank gave less help than the published shortage.

Overnight money opened at 9⅜-9¼ per cent and rose to 9½-9¼ per cent before slipping back to 9 per cent. However rates rose to a high of around 11 per cent before finishing bid at 10½ per cent.

The Bank of England forecast a shortage of around £100m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £186m and a rise in the note circulation of £90m. These were partly offset by Exchequer transactions which added £170m and banks' balances brought forward £25m above target.

There was no intervention by the Bank during the morning. In the afternoon the forecast was revised to a shortage of around £150m and the Bank gave assistance of £10m through outright purchases of eligible bank bills in band 1 at 9⅞ per cent. Late help came to £10m, making a total of £20m.

Economic data released included a PSBR figure for August of £750m, about half the amount expected, giving a cumulative total so far this tax year of £1.4bn. UK industrial output was also better than expected, rising by 2.2 per cent in July after a 1.3 per cent fall in June. In addition manufacturing output rose a strong 1.6 per cent after just 0.1 per cent in June.

City analysts were quick to suggest that a rise in manufacturing output and lower Government borrowing were generally bullish although some sectors of the market were still a little wary about the possibility of overheating.

FT LONDON INTERBANK FIXING

[illegible]
[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime); Treasury Bills and Bonds

[illegible]
[illegible]

Sept. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sept. 16	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Legal Notice

IN THE MATTER OF FALCON TOW (CYPRUS) LTD AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113 NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 19th day of October 1987 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajiroussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 17th day of September 1987.

A. Hajiroussos FCCA
Liquidator

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 16 1987					TUESDAY SEPTEMBER 15 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	177.28	+2.7	159.72	160.83	2.32	172.67	155.85	157.22	177.28	99.92	78.80
Austria (16)	98.26	+0.1	88.53	92.53	2.23	98.15	88.60	92.52	101.62	85.53	94.20
Belgium (48)	128.30	−1.3	115.60	119.60	3.96	129.93	117.28	121.12	134.89	96.19	90.48
Canada (129)	134.95	−0.4	121.59	128.79	2.32	135.54	122.35	129.07	141.78	100.00	97.11
Denmark (39)	115.30	−0.1	103.88	109.46	2.59	115.46	104.22	109.85	124.83	98.18	95.24
France (121)	113.96	−0.4	102.68	108.20	2.61	114.45	103.30	108.75	121.82	98.39	92.24
West Germany (92)	102.09	−1.2	91.98	96.36	1.96	103.28	93.22	97.48	104.93	84.00	92.52
Hong Kong (45)	144.28	−1.2	130.00	144.54	2.51	146.00	131.79	146.22	147.36	96.89	76.77
Ireland (14)	142.15	+0.1	128.08	135.57	3.30	142.00	128.17	135.60	145.49	99.50	85.97
Italy (76)	86.38	+2.4	77.83	84.45	2.16	84.33	76.12	82.51	112.11	84.22	99.48
Japan (458)	142.35	−0.4	128.25	129.88	0.53	142.88	128.97	130.05	161.28	100.00	93.63
Malaysia (36)	174.76	−1.3	157.46	169.70	2.16	177.05	159.82	172.08	193.64	98.24	89.18
Mexico (14)	378.84	−4.1	341.33	638.49	0.47	394.87	356.42	663.78	422.59	99.72	57.53
Netherland (37)	124.85	−0.8	112.49	116.39	3.86	125.88	113.62	117.23	131.41	99.65	96.68
New Zealand (24)	137.74	+1.3	124.10	114.72	2.58	136.01	122.77	113.91	137.74	83.93	70.73
Norway (24)	178.30	+0.0	160.65	160.69	1.70	178.26	160.90	160.90	179.04	100.00	105.88
Singapore (27)	168.40	−1.2	151.73	162.35	1.51	170.45	153.85	164.40	174.28	99.29	89.36
South Africa (61)	182.46	−0.3	164.40	132.96	3.15	183.09	165.26	133.42	198.09	100.00	105.58
Spain (43)	164.65	+1.2	148.35	151.34	2.61	162.72	146.88	149.90	164.65	100.00	94.97
Sweden (33)	130.33	−0.2	117.43	123.00	1.88	130.58	117.87	123.38	132.10	90.85	96.67
Switzerland (53)	108.75	−0.5	97.98	101.50	1.64	109.26	98.62	101.98	110.00	92.01	91.98
United Kingdom (333)	153.87	+0.8	138.64	138.64	3.23	152.60	137.75	137.75	162.87	99.65	95.55
USA (586)	128.74	−0.9	116.00	128.74	2.85	129.87	117.23	129.87	137.42	100.00	96.50
Europe (929)	126.90	+0.3	114.33	117.38	2.82	126.56	114.24	117.20	128.35	99.78	94.71
Pacific Basin (683)	143.78	−0.3	129.55	131.44	0.68	144.15	130.11	131.51	158.77	100.00	92.49
Euro–Pacific (1612)	137.09	−0.1	123.52	125.82	1.46	137.18	123.82	125.79	143.65	100.00	93.37
North America (715)	129.07	−0.8	116.29	128.77	2.82	130.17	117.50	129.85	137.55	100.00	96.53
Europe Ex. UK (596)	110.15	−0.2	99.25	104.17	2.45	110.40	99.66	104.45	111.97	98.02	94.24
Pacific Ex. Japan (225)	161.53	+1.1	145.54	150.94	2.35	159.79	144.24	149.68	161.53	99.92	78.12
World Ex. US (1816)	137.66	−0.1	124.03	126.31	1.51	137.78	124.36	126.30	143.38	100.00	93.58
World Ex. UK (2069)	132.23	−0.5	119.14	126.27	1.87	132.92	119.98	126.81	138.82	100.00	94.64
World Ex. So. Af. (2341)	133.85	−0.4	120.59	127.34	2.00	134.35	121.27	127.74	139.47	100.00	94.63
World Ex. Japan (1944)	130.27	−0.4	117.37	126.19	2.80	130.76	118.03	126.72	134.03	100.00	95.21
The World Index (2402)	134.16	−0.4	120.88	127.42	2.01	134.67	121.55	127.82	139.73	100.00	94.70

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$480	90	6.50	1	20.50	—	—	$458.80
GOLD C	$500	64	4.90	2	14	—	—	"
GOLD C	$520	18	2.50	—	—	—	—	"
GOLD P	$440	42	4.10	—	—	—	—	"
		Sept. 87		Dec. 87		Mar. 88		
SILVER C	$600	15	170A	—	—	—	—	$766
SILVER C	$650	25	111	—	—	—	—	"
SILVER C	$700	—	—	—	—	10	150	"
SILVER C	$750	2	20	5	70	—	—	"
SILVER C	$800	1	1	2	40	16	110	"
SILVER P	$850	5	90	5	110	—	—	"
		Sept. 87		Oct. 87		Nov. 87		
$/FI C	FI.200	25	3.50	—	—	—	—	FI.204.10
$/FL C	FI.205	52	0.10	111	1.90	—	—	"
$/FL C	FI.210	—	—	50	0.40	—	—	"
$/FI. P	FI.200	39	0.05	31	1.10	—	—	"
$/FI. P	FI.205	45	1.05	10	3.20	10	4.90	"
		Dec 87		March 88		June 88		
$/FI C	FI.200	22	5.80	10	6.50B	1	7.50	FI.204.10
$/FI C	FI.205	1	3.20	55	4.20	—	—	"
$/FI C	FI.210	5	1.80A	—	—	7	3.90	"
$/FI C	FI.215	—	—	4	1.70	—	—	"
$/FI C	FI.220	—	—	—	—	44	1.50	"
$/FI P	FI.195	5	1.50	—	—	—	—	"
$/FI P	FI.205	2	5.30	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	FI.48	293	1.40	137	4	—	—	FI.48.10
ABN P	FI.50	282	2.20	247	3.50	126	4	"
AEGON C	FI.90	110	2.50	10	5.80A	—	—	FI.87.70
AEGON P	FI.100	10	12.80	20	12.80	—	—	"
AHOLD C	FI.110	71	1.30	12	4.30	1	7.50B	FI.105.80
AHOLD P	FI.105	16	3.20A	57	5.50	—	—	"
AKZO C	FI.180	2699	4.70	794	11	242	15	FI.177.50
AKZO P	FI.170	233	2.80	140	6.50B	—	—	"
AMEV C	FI.65	59	0.90	5	3	—	—	FI.61.40
AMEV P	FI.65	100	5	175	5.70	17	6.50	"
AMRO C	FI.90	270	0.50	36	3.20B	7	4.70	FI.84.50
AMRO P	FI.75	50	0.20	25	0.80	—	—	"
ELSEVIER C	FI.60	448	3.60	86	6.50	2	8.90	FI.61.20
ELSEVIER P	FI.60	131	2	82	3.50	37	5.20	"
GIST-BROC.C	FI.50	181	0.80	51	3	42	4	FI.47.50
GIST-BROC. P	FI.50	104	2.90	37	4.50	—	—	"
HEINEKEN C	FI.180	54	3.80	34	950	5	14	FI.174.40
HEINEKEN P	FI.180	114	6.90A	20	10.50B	—	—	"
HOOGOVENS C	FI.50	56	1.30	41	3.80	24	6	FI.48.30
HOOGOVENS P	FI.50	68	2.50	22	4.50	—	—	"
KLM C	FI.55	208	1	133	3	9	4.60	FI.52
KLM P	FI.50	37	0.90	125	2.50	—	—	"
NEDLLOYD C	FI.190	147	6.60	2	18.50	6	24	FI.187.50
NEDLLOYD P	FI.180	188	3.80	—	—	—	—	"
NAT.NED. C	FI.75	116	2.20	36	5.80	—	—	FI.75.40
NAT NED P	FI.75	—	—	82	3.50	5	4.40	"
PHILIPS C	FI.60	175	0.30	297	1.20	12	2.20	FI.52
PHILIPS P	FI.50	6	0.60	269	2.20	35	3.50	"
ROYAL DUTCH C	FI.270	452	2.80	161	9.80	62	15	F.258.40
ROYAL DUTCH P	FI.250	318	3	440	630	32	7.90	"
ROBECO C	FI.105	—	—	60	8.80	—	—	FI.110.10
ROBECO P	FI.115	9	4.50	10	5.50	—	—	"
UNILEVER C	FI.140	312	5.70	142	11.10	4	14.70	FI.142
UNILEVER P	FI.140	256	3.20	55	7	—	—	"

TOTAL VOLUME IN CONTRACTS: 36,949

A=Ask B=Bid C=Call P=Put

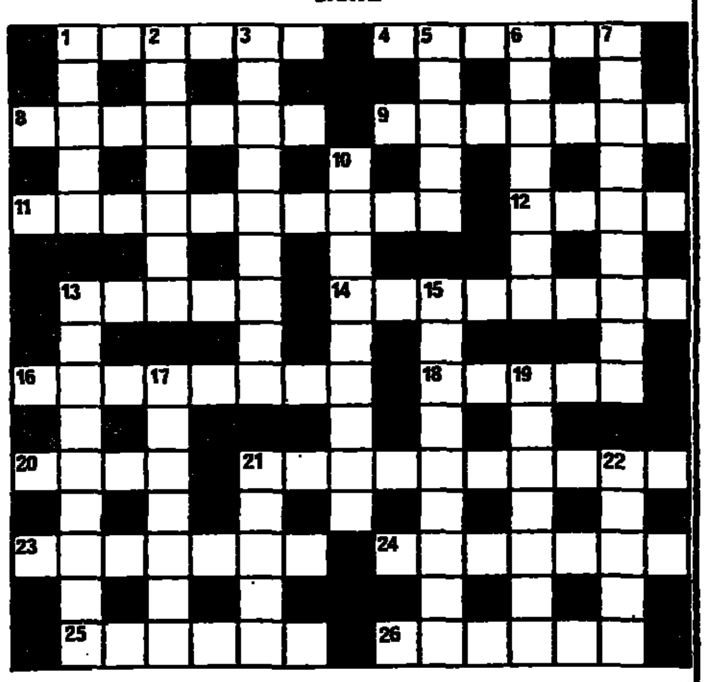
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE NO. 6,432

DANTE



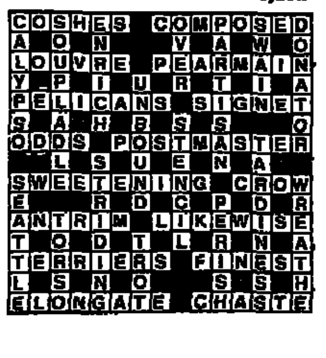
ACROSS

1 Do wrong from start to finish (6)
4 Aircraft seen in desert? (6)
8 Perform successfully (7)
9 Pitch of the roof? (7)
11 Generally speaking, any garbled version will do (2,3,5)
12 Where *barristers* get refreshers? (4)
13 Spoke in the plural? (5)
14 Manual menial? (8)
16 Not a very bright lot, but sturdy (8)
18 Turning point for an oarsman (5)
20 Leave with uncle (4)
21 Watching what one says? (3-7)
23 Concentration points to sound state of mind (7)
24 Anxiety caused by sea mail going astray (7)
25 Untidy little beasts (6)
26 A pop song creature (6)

DOWN

1 Nothing to cry about, holding last letter of authoress (5)
2 Adopted a new feeding arrangement (7)
3 Strange things to join together in works of fiction (9)
5 Children's edition (5)
6 His mate turns with disbelief (7)
7 Wild rose in elegant form (9)
10 A model of originality (9)
13 What the listener does in actual practice (9)
15 Remote and out-of-the-way landmark of Paris (5,4)
17 An idea of self-importance (7)
19 Sea-lord *orders* trials (7)
21 Entice many in with money (5)
22 Alan's unusual manner of speaking? (5)

Solution to Puzzle No. 6,431



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS — 01-280 2860

American Growth	112.5	118.8	+1.8	1.33
(Accum Units)	117.7	124.5	+1.9	1.33
American Income	51.6	54.3	+0.2	4.60
(Accum Units)	95.9	99.1	+0.7	4.60
American Sm Cos Fd	50.8	53.7	+0.5	0.48
(Accum Units)	50.8	53.7	+0.5	0.48
British Blue Chip Fund	51.5	54.4xd	+0.1	2.33
(Accum Units)	52.3	55.3xd	+0.1	2.33
European Growth	158.1	167.2xd	+0.9	1.48
(Accum Units)	165.0	174.6xd	+0.9	1.48
European Income	85.2	90.1	+0.2	3.55
(Accum Units)	89.5	94.7	+0.2	3.55
Exempt	555.2	564.3	----	2.36
(Accum Units)	563.0	577.4	----	2.36
General	382.4	404.4xd	+0.6	1.25
(Accum Units)	639.2	676.3xd	+1.0	1.25
Gilt	86.9	87.3	+0.0	7.62
(Accum Units)	103.3	105.8	+0.0	7.62
Global Fund	52.4	55.4	+0.0	0.67
(Accum Units)	52.4	55.4	+0.0	0.67
High Income Fund	54.1	57.2xd	+0.1	4.66
(Accum Units)	54.9	58.0xd	+0.0	4.66
High Interest Fund	41.9	44.3xd	-0.1	9.61
(Accum Units)	43.1	45.6xd	-0.2	9.61
Income	127.0	134.3xd	+0.2	2.84
(Accum Units)	146.6	155.1xd	+0.3	2.84
International	308.4	326.5	-2.4	1.30
(Accum Units)	386.1	408.5	-3.1	1.30
Japan	205.5	217.4	+0.4	0.56
(Accum Units)	210.9	223.1	+0.5	0.56
Pacific Fund	60.9	64.4	+0.2	0.10
(Accum Units)	60.9	64.4	+0.2	0.10
Recovery	324.6	343.4	+0.2	1.81
(Accum Units)	352.9	373.4	+0.3	1.81
UK Smaller Co's Fund	56.2	59.4xd	+0.0	1.66
(Accum Units)	56.7	59.9xd	+0.0	1.66

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB — 01-925 1277

Merlin Sept 8	629.5	637.5	+2.5	1.07

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. — 0707 45184

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London EC2R 6BA. — 01-588 3963

PM Equity Growth	121.1	128.9	----	1.00
PM Income and Growth	104.7	111.4xd	+0.1	2.97
PM N American Growth	58.9	62.6	-0.5	0.33
PM European Growth	53.1	56.4	+0.2	0.55
PM Japan Growth	71.1	75.6	+0.2	0.36
PM Overseas Growth	57.5	61.1	-0.2	0.42

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn Lifeline 0800 010345

Holborn Comm Tst	83.3	88.1xd	-0.6	.355
Holborn Equity Income	73.8	78.0xd	----	3.32
Holborn Equity Tst	598.2	635.0	-0.4	2.13
Holborn European Tst	127.5	134.9	+0.1	0.61
Holborn Gilt Tst	210.4	215.5	----	2.21
Holborn High Inc Tst	89.4	94.6xd	----	4.56
Holborn Intl Grth Tst	125.5	132.8	-0.7	0.63
Holborn Intl Sm Cos	----	50.0	----	0.05
Holborn Japanese Tst	137.4	145.3xd	-0.6	0.4
Holborn N. Amer. Tst	95.8	101.3	-1.2	.470
Holborn Sm Cos Tst	81.3	86.0	-0.2	1.35
Holborn Spec Sits Tst	107.4	113.6	-0.1	1.29
Holborn UK Growth Tst	118.2	125.4xd	-0.2	1.49

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd	680.8	709.8	----	1.38
Quadrant Income	334.3	353.8	----	3.77
Quadrant Intl. Fund	457.6	484.3	----	1.03
Quadrant Spec. Sits	461.5	488.4	----	1.35

Reliance Unit Mgrs Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	247.3	262.9	+1.0	2.29
Reliance Unit Tst (Inc)	173.1	184.1	+0.9	1.43
Reliance Un Tst (Acc)	233.0	247.7	+1.1	1.43

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. — 051-227 2030

Internat. Growth Trust	51.5	54.2	-0.6	1.5

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt Edged Int.	272.2			—
Do Accum	277.3			—
Guaranteed Int.	159.3			—
Do Accum.	195.8			—
International Int.	512.3			—
Do Accum	630.4			—
Index Lk Gilt Inc.	135.3			—
Do Accum	166.5			—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	319.9	+0.2	—
Property Pens.	429.5	+0.4	—
Equity	197.5	-0.1	—
Equity Pens.	894.1	-1.1	—
Money Market	295.4	-0.1	—
Money Mkt. Pens.	532.0	-0.1	—
Deposit	239.1	+0.1	—
Deposit Pens.	382.5	+0.1	—
Managed	298.0	-0.1	—
Managed Pens.	575.8	-0.4	—
Intl Equity	358.2	+0.1	—
Do Pens	584.0	+0.0	—
Intl Managed	327.6	+0.1	—
Do. Pens.	489.8	+0.1	—
North American	134.1	-1.8	—
Do. Pens.	154.6	-3.0	—
Far East	299.0	+1.0	—
Do. Pens.	443.4	+2.1	—
Intnl Currency	168.4	-1.1	—
Do. Pens.	216.9	-2.0	—
Index Linked	128.2	+0.6	—
S & C Managed Fd	140.1	+0.1	—
S & C Pens Mngd Fd	114.3	+2.1	—
Bell Shambers	130.0	+0.1	—
Loran & Loran	118.2	+0.5	—
Trustlink Life Funds			
Per Worldwide Rec.	172.4	+0.9	—
Per Far East Growth	224.3	+1.0	—
Per Intl Growth	166.1	+0.7	—
Per Income	176.5	+0.0	—
Per Emerging Co's	166.5	+0.2	—
Per American Growth	149.7	+0.5	—
Per European Growth	138.1	+0.7	—
Fra American & Gen	125.3	-1.5	—
Fra Capital	182.6	+0.0	—
Fra Income	190.2	+0.1	—
Fra Intl Growth	138.4	+0.3	—
Fra Japan & Gen	185.5	+1.2	—
Fra Recovery	199.8	+0.0	—
Fra Convertible & Gilt	144.5	+0.3	—
Fra European	141.3	+0.5	—
GAP American	124.7	-1.1	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	57.6	60.5	-0.1	—
Stock Market Mngd Fund	59.2	62.4	-0.2	—
Equity Fund	64.0	67.4		—
International Fund	55.8	58.8	-0.5	—
European Fund	59.7	62.9		—
North American Fund	50.8	53.5	-0.6	—
Pacific Fund	64.4	67.8	-0.2	—
Property Fund	52.2	55.0		—
Fixed Interest Funds	47.9	50.5	+0.1	—
Index Linked Sec Fund	45.5	47.9	+0.1	—
Deposit Fund	51.3	54.0		—
NUAM Retirement Plans				
Mixed Fund	61.6	64.9	-0.1	—
UK Ordinary Share	73.6	77.5	+0.1	—
International Fund	57.7	60.8	-0.5	—
Property Fund	52.2	55.0		—
Fixed Interest Fund	49.5	52.2	-0.1	—
Index Linked Sec Fund	45.8	48.3	+0.1	—
Deposit Fund	53.4	56.3	+0.1	—
NUAM (NF)				
Managed Fund	789.1	830.7	-1.7	—
Equity Fund	1707.5	1797.4	-0.2	—
Property Fund	324.6	341.7		—
Fixed Interest Fund	352.9	371.5	+0.4	—
Deposit Fund	209.2	220.3		—
International Fund	144.8	152.5	-1.2	—
Index Linked Sec Fund	45.5	47.9	+0.1	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensinvestor* & Unit-Linked Plns*				
Fixed Interest Fund	248.0	261.0	-1.3	—
Index-Linked Sec Fund	129.7	136.5	+0.4	—
Ordinary Share Fund	534.3	562.4	+1.1	—
International Fund	148.1	155.8	+0.9	—
Property Fund	162.8	171.3	+0.2	—
Deposit Fund	167.4	176.2	+0.4	—
Mixed Fund	343.0	361.0	+0.8	—
Norwich Units Sep 15		1018.4		—

*Prices as at June 30

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100¼	Treas. 12pc 1987	100¼	.....	11.98	9.98
99⅜	97⅜	Treas 7¾pc 1985-88‡‡	99⅜	.....	7.80	9.26
102¼	99⅜	Exch 10½pc '88	100⅛	–⅛	10.49	10.31
101⅜	98⅜	Treas 9¾pc Cv '88	99⅝	.....	9.79	10.29
97⅛	93⅛	Transport 3pc '78-88	96¾	.....	3.10	7.15
101⅞	98⅛	Treas. 9½pc '88	99⅛	.....	9.59	10.36
105⅜	101⅛	Treas 11½pc 1989	101⅜	.....	11.33	10.31
102⅛	97⅜	Treas 9½pc Cnv 1989	98⅝	+⅛	9.61	10.27
94⅜	89¼	Treas 3pc 1989	93⅛	–⅛	3.22	7.46
104⅞	99⅜	Treas 10½pc 1989	100⅛	+⅛	10.48	10.32
103⅛	98¼	Exch 10pc 1989	99⅛	+⅛	10.06	10.31
105⅞	100⅛	Exch 11pc 1989	101⅛	+⅛	10.87	10.33
95⅜	89⅛	Treas 5pc 1986-89	93⅛	.....	5.37	8.67
108⅛	99⅜	Exch 10¼pcCv '89	100⅜	+⅛	10.23	10.10
111⅛	105	Treas 13pc 1990‡‡	105⅜	.....	12.32	10.23
106⅞	100⅜	Exch 11pc 1990‡‡	101⅜	+⅛	10.84	10.27
110⅞	104¼	Exch. 12½pc 1990	104⅜	+⅛	11.94	10.33
91⅜	84½	Treas. 3pc 1990	88⅜	.....	3.40	7.96
100⅛	93⅜	Treas 8¼pc 1987-90‡‡	95⅞	+⅛	8.64	10.15
105	97⅞	Treas. 10pcCv 1990	99	+⅛	10.10	10.38
89⅜	81⅛	Exch 2½pc 1990	85⅜	–⅛	2.91	7.52
110⅞	102⅜	Treas 11¾pc 1991	103⅜	.....	11.33	10.36
95⅛	87¼	Funding 5¾pc '87-91‡‡	89⅛	–⅛	6.43	9.31
89⅛	80¼	Treas. 3pc 1991	84⅛	.....	3.55	7.99
110⅞	99	Treas 10pc Cv '91 ‡‡	99⅜	–⅛	10.02	10.04
109⅞	101⅛	Exch. 11pc 1991	102⅛	–⅛	10.78	10.37
96⅛	91⅜	Treas. 8pc 1991a	92⅜	+⅛		
116⅛	107⅛	Treas 12¾pc 1992‡‡	108⅛	.....	11.79	10.33
106⅛	97⅜	Treas 10pc 1992	98⅞	–⅛	10.11	10.29
99⅞	90⅜	Treas. 8pc 1992 ‡‡	91⅜	–⅛	8.70	10.25
108⅜	99¼	Treas 10¼pc Cv 1992‡‡	100⅜	.....	10.45	10.35
85⅞	79⅞	Treas. 3pc 1992	79⅞	–⅛	3.74	8.03
115⅞	106⅛	Exch. 12¼pc '92	106⅜	–⅛	11.45	10.99
		Five to Fifteen Years				
121⅛	110⅜	Exch 13½pc 1992	111⅞	–⅛	12.08	10.42
107⅛	97⅜	Treas 10pc 1993‡‡	98⅜	.....	10.15	10.35
118⅜	108⅛	Treas 12½pc 1993‡‡	108⅜	–⅛	11.49	10.43
95⅞	82¾	Funding 6pc 1993‡‡	86⅛	+⅛	6.97	9.04
125⅛	113⅜	Treas 13¾pc 1993‡‡	114⅛	–⅛	12.01	10.47

BRITISH FUNDS—Contd

1987 High	Low	Stock		Price £	+ or –	(1)	(2)
		Index-Linked	(b)				
131⅜	125½	Treas. 2pc '88	(297.1)	131⅜	.....	—	2.02
117¼	108⅜	Do. 2pc '90	(333.9)	114⅜	–⅛	0.95	3.01
99⅛	93½	Do. 2pc '92‡‡	(385.8)	96⅛	.....	3.54	3.20
128⅛	119⅛	Do. 2pc '96	(267.9)	125⅜	–⅛	3.41	3.88
111¼	101⅛	Do 2½pc '01	(308.8)	104⅛	+¼	3.56	4.21
110	99⅛	Do. 2½pc '03	(310.7)	101⅛	+⅛	3.52	4.18
113⅛	101⅜	Do. 2pc '06	(274.1)	103⅛	+⅛	3.60	4.13
108	95⅜	Do. 2½pc '09	(310.7)	97⅜	+⅛	3.59	4.06
113⅜	100⅜	Do. 2½pc '11	(294.1)	102	+⅛	3.72	4.02
95⅛	83⅜	Do. 2½pc '13	(351.9)	85⅛	+⅛	3.65	3.96
103⅛	91⅛	Do. 2½pc '16	(322.0)	92⅞	+⅛	3.44	3.89
101⅛	89⅜	Do. 2½pc '20	(327.3)	90⅜	+⅛	3.53	3.80
86⅛	75⅜	Do. 2½pc '24 ‡‡	(385.3)	76⅜	+⅛	3.45	3.72

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for January 1987: 100.0 and for August 1987: 102.1 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅞	98⅞	African Dv Bk 11½Ln 2010	99⅛	+⅛	11.17	11.16
109⅞	94⅞	Asian Dev Bk 10¼pcLn2009	95⅛	.....	10.75	10.80
136	118⅞	Australia 13½pc 2010	119⅞	+⅛	11.27	11.09
118⅛	102⅞	Do. 11½pcLn2015	102⅞	–⅛	11.04	11.02
115⅞	101⅛	Euro Inv Bk 11pc Ln 2002	102	–⅛	10.77	10.71
110⅛	96⅞	Do. 10¼pc2004	97⅛	–⅛	10.67	10.71
126⅛	111⅞	Int-Am Dev Bk 12½pc 2003	112⅛	–⅛	11.12	10.81
104⅞	90⅛	Do. 9¾pcLn 2015	90⅛	–⅛	10.74	10.79
97⅞	83	Mlysia 10¼pcLn 2009	85⅜	+⅛	12.15	12.31

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	.....	3.50	6.60
52	40	Do. 6pc 28 Stb. Ass.	52	.....	3	5.77
50	45	Do 4pc Mixed Ass.	50	.....	2	4.23
66	58	Hung. '24 Ass	64	.....	2.75	4.30
146½	122⅞	Hydro Quebec 15pc 2011	129⅞	–⅛	15.00	11.40
136¼	115⅛	Iceland 14½pc Ln 2016	122⅛	.....	14.50	11.83
103½	94	Ireland 9¾pc '91-96	95⅛	–⅛	9.75	10.48

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	32⅞	Abbott Laboratories‡	37½	–1	$1.00	—	1.6
40½	24⅞	Alcoa $1	35⅞	–1	$1.20	—	2.1
18⅞	13⅞	‡Allegheny & W $0.01	14	–⅛	30c	—	1.3
19⅛	8⅞	Amax $1	15⅞	–⅛	—	—	—
27⅛	17¼	Amdahl 5c	25⅞	–1⅛	20c	—	0.5
35⅞	25⅞	Amer. Cyanamid $5	30¼	–1½	$1.90	—	3.9
25⅛	18	Amer. Express $0.60	22⅛	–1⅛	$1.44	—	4.0
12⅞	994p	Amer. Medical Int. $1	10⅞	–⅛	‡72c	—	4.3
22½	14⅛	American T. & T. $1	19½	–⅛	$1.20	—	3.8
63	46⅞	Ameritech $1	56⅞	–1⅛	h$4.72	—	5.1
22	15½	Amfac‡	21⅞	+⅛	—	—	—
25	17⅞	Anheuser-Busch $1	22⅛	–⅛	$2.00	—	5.5
98p	45p	‡AridTech‡	89p	–1	—	—	—
10⅞	6⅛	BankAmerica $1⅛	7⅛	–⅛	—	—	—
34⅞	25⅛	Bankers N.Y. $10	29⅜	+1⅜	$1.66	—	3.4
652p	279p	BASIX Corp.	281p	–2	12c	—	2.6
49½	36⅞	Bell Atlantic $1	45⅛	–½	$3.84	—	5.2
27	21	BellSouth Corp.	24	–⅛	$2.04		5.2
11⅜	4⅛	‡Bethlehem Steel $8	10⅛	–⅛	—	—	—
20½	10⅞	Bio-Rad Labs. Inc. 'A'	14⅞	–⅛	—	—	—
54⅞	18⅞	Bowater Inc.	23⅞	–⅛	80c	—	2.1
21⅞	15⅛	Browning-Ferris 16⅔c	20⅛	–⅛	h40c	—	1.2
18⅞	12⅞	Brunswick	17⅞	+⅛	30c	—	1.0
36⅞	25⅞	CPC Intnl. 25c	32⅜	–⅜	h$1.24	—	2.3
25⅞	18	CSX Corp U.S.$1.00	23⅛	–⅛	$1.16	—	3.1
25⅛	17⅞	CalFed Inc $1.00	19	–⅛	60c	—	1.9
43⅜	36⅞	Campbell Soup 30c	39⅜	–⅜	$1.44	—	2.2
42⅞	27⅛	Caterpillar Inc $1.00	41⅛	–1⅛	50c	—	0.7
629p	374p	Cenergy Corp. 25c	622p	+11	4c	—	0.4
28⅛	20⅛	Chase Manhattan $12.5	23	–½	$2.16	—	5.8
32⅞	23⅛	Chemical New York	23⅞	–⅛	$2.72	—	7.0
	21⅛	PHH	23½	–⅛	$1.04	—	2.7
	19⅞	Pacificorp $3.25	20⅞	–½	$2.52	—	7.4
	13⅞	Pacific Telesis $0.10	17½	–½	h$1.64	—	5.7
	17⅛	Pall Corp. 25c	20	–⅛	34c	—	1.0
	40⅜	Pennzoil 83c	42⅞	.....	$2.20	—	3.2
	21⅛	Pillsbury‡	26⅞	–⅛	$1.00	—	2.3
	24½	Primerica $1.00	27½	–1	$1.60	—	3.6
	26⅛	Quaker Oats $5	32⅛	–⅛	h80c	—	1.5
	28⅞	RJR Nabisco Inc	39⅞	–1	$1.60	—	2.5
	27⅞	Rep NY Corpn $5	31⅞	+⅛	$1.16	—	2.2
	15⅛	Rockwell Intl. $1	16⅛	.....	66c	—	2.5

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc				
Minerva Hse, Montague Cl, London, SE1			01-378 2576	
£250-£2,500	8.00	6.02	8.43	Qtr
£2,500+	10.00	7.53	10.60	Qtr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Chr Acc	9.00	6.75	9.48	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	9.25	6.96	9.78	Qtr
MnthChq £1000-£5000	9.00	6.77	9.57	Mth
Mth. Int. Chq. £5,000+	9.25	6.96	9.84	Mth
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
HICA, HICMA	9.75	7.34	10.40	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	9.10	6.84	9.48	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	8.875	6.625	9.30	Qtr
Benchmark Trust Ltd Premier Account				
9 Henrietta Place, W1M 9AG.			01-631 3313	
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.75	7.34	10.23	6-mth
£20,000+	10.00	7.53	10.50	6-mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2.			01-606 9833	
Demand Acc	9.1	6.85	9.42	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH.			01-248 4000	

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¾	22⅞	Sara Lee $1	29¾xd	+1⅞	$1.00	—	2.1
11⅜	8⅞	Saul (B. F.) $1	11⅛xd	–⅛	20c	—	1.1
26⅜	19⅞	Southwestern Bell $1	23⅞	–½	h$2.32	—	6.0
19	14¾	Staley Continental	18⅛	–⅛	80c	—	2.7
44⅜	35	Sun Co. Inc. $1	35	–⅝	$3.00	—	5.3
42¼	28½	TRW Inc. $0.625	39⅝	–½	h$1.60	—	—
34⅞	25⅞	Tenneco $5	32¼	–1⅛	$3.04	—	5.8
202½	149½	Do. 10pcLn.Stk. 91-5	202½xd	...	10%	—	5.0
29⅝	17⅜	Texaco $6.25	24⅜xd	–2⅞	$3.00	—	7.6
74⅜	47½	Time Inc. $1	64⅛xd	–1	$1.00	—	1.0
19⅝	11	Tracor $0.33	19⅛xd	–¼	40c	—	1.3
30¼	18⅞	Transamerica $1	26⅛	–⅛	$1.76	—	4.1
14¼	922p	Transworld Corp $5	12¼	–⅛	20c	—	1.0
49½	29¾	TRINOVA Corp.	46	–¼	h$1.00		1.3
24⅞	15⅛	♦USX $1	21	–½	$1.20	—	3.5
19⅝	15⅛	Union Carbide $1	16⅞	–⅛	$1.50	—	5.4
37⅞	26⅞	Utd. Technologies	33¼xd	–1¼	$1.40	—	2.6
35⅝	27	US West	33⅝	–1⅛	$3.28	—	6.0
30½	17⅛	Waste Management $1	27½	–1	—	—	—
£31⅜	£20½	Whirlpool $1.0	£23⅞	–½	—	—	—
37⅞	26	♦Woolworth $3½	30⅜	–⅞	$1.32	—	2.6

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	374		†9.25	2.9	3.4	14.0
438	316	Pearl Group 5p	437xd	+9	†10.5	—	3.3	—
*£11¼	804	Prudential	£10		†29.0	—	4.0	—
580	435	Refuge 5p	563xd		15.75	—	3.8	—
589	423	Royal	565	–2	†h15.5	—	3.8	—
103	93	Sabre Ins. Invs.	95		—	—	—	—
*345	274	Sedgwick Group 10p	292xd	+5	12.0	1.7	5.6	12.5
339	207	Steel Burrill J.10p	241xd	+1	19.0	2.0	5.1	13.4
668	403	Stewart Wr. 20p	555	+27	†13.0	2.0	3.2	19.7
612	377	Sturge Hldgs 20p	520	–3	†6.0	2.5	1.6	34.1
£11⅞	645	Sun Alliance	£11¼	+⅛	†23.5	—	2.9	—
£12⅞	929	Sun Life 5p	£12¾	+¼	28.5	—	3.2	—
£69⅞	£39	¥Taisho M £DR	£46½	–3	g010%	—	0.9	—
£22⅞	£14½	Torchmark $1.00	£18½	–⅛	Q$1.00	—	3.3	—
325	235	Trade Indemnity	300		14.5	—	1.6	—
£34	£24⅝	Travelers $2.25	£27¼	–⅛	$2.28	—	5.2	—
£30¾	£22⅝	USF & G Corp $2.50	£25¾	–⅛	Q$2.48	—	4.0	—
£33¾	£20½	USLIFE Corp. $1.0	£24⅝	–⅛	Q$1.20	3.2	3.0	5.5
728	555	¥Wind Friendly B 10p	723	–5	21.0	—	4.0	—
464	356	Willis Faber 12½p	369	+13	†10.75	2.4	4.0	15.9
128	41	Windsor Secs. 10p	118	–2	†0.7	1.5	0.8	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	¥A & M Group 10p	24½	+½	—	—	—	♦
242	181	Airtours 10p	188		R5.4	2.5	4.0	13.7
*549	302	Anglia TV	495	–5	†p11.25	3.3	3.1	13.7
194	108	¥Aspinall Hldgs. 10p	185	–3	6.0	1.2	4.4	25.4
141	63	¥Avesco 1p	110		0.5	6.7	0.6	31.1
65	40	¥BCE Hldgs 5p	51		L1.0	♦	2.7	♦
290	132	Barr & W.A.T. 'A'	280xd	+3	†8.0	1.4	3.9	22.8
58	19	Bond Media	47		—	—	—	—
[illegible]								

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
151	47	Corton Beach 10p	126	–4	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	172	–3	—	—	—	—
*62	18	Eglinton Oil Ir.5p	24		—	—	—	—
41	16	Do. Warrants	16		—	—	—	—
186	101	Far East Res. 10p	163	+8	—	—	—	—
94	55	Gardner (J.) 5p	94	+8	R1.25	2.3	1.8	32.5
39	29	Honorbilt Group 5p	37	–2	—	—	—	31.1
128	115	Leading Leisure 5p	126	+5	0.9	3.1	1.0	36.4
87	68	Lynx Tech. 5p	73		b—	—	—	8.4
82	17	Publishing Hldgs.5p	65	–1	—	—	—	37.7
87	45½	Theme Holdings	71	+1	1.0	1.9	1.9	38.1
168	140	UPL Group 10p	168		L2.41	2.8	2.0	—
140	111	Unit Group	140ϕ		R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ¥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ■ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	96		Fin. 13% 97/02	£103¾	
Craig & Rose £1	713		Arnotts	375	
Finlay Pkg. 5p	121		CPI Hldgs	85xd	
Holt (Jos) 25p	£10⅝		Carrol Inds.	390	
IoM Stm. £1	213	+40	Dublin Gas	40s	
			Hall (R. & H.)	140xd	+6
IRISH			Heiton Hldgs.	64	+9
Fund 11¼% 1988	£100¼		Irish Ropes	207	+22
Nat. 9¾% 84/89	£97½		Unidare	425	

TRADITIONAL OPTIONS

3-month call rates

Stock	p	Stock	p
Industrials		NEI	13
Allied-Lyons	40	Nat West Bk	65
Amstrad	19	P & O Dfd	65
BAT	62	Plessey	20
BOC Grp.	50	Polly Peck	34
BSR	17	Racal Elect	32
BTR	36	RHM	35
Babcock	32	Rank Org Ord	70
Barclays	52	Reed Intnl	50
Beecham	52	STC	30
Blue Circle	58	Sears	16
Boots	30	T I	37
Bowaters	50	TSB	12
Brit Aerospace	50	Tesco	18
Brit. Telecom	28	Thorn EMI	65
Burton Ord	32	Trust Houses	25
Cadburys	25	Turner Newall	26
Charter Cons.	45	Unilever	62
Comm Union	34	Vickers	20
Courtaulds	45	Wellcome	42
FNFC	32		
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95		
GKN	38	**Oils**	
Hanson Tst.	17	Brit Petroleum	32
Hawker Sidd	58	Britoil	30
ICI	125	Burmah Oil	52
Jaguar	52	Charterhall	10
Ladbroke	45	Premier	11
Legal & Gen.	32	Shell	125
Lex Service	45	Tricentrol	11
Lloyds Bank	35	Ultramar	26
Lucas Inds.	75	**Mines**	
Marks & Spencer	22	Cons Gold	125
Midland Bk	45	Lonrho	28
Morgan Grenfell	55	Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Good economic news lifts equity leaders and index closes 15.3 up at session's highest

Excellent industrial production figures and a surprisingly low public sector borrowing requirement for August were encouraging indicators for UK equities yesterday. The market shrugged off the drag of a weak Wall Street overnight and moved higher with such good effect that the FT-SE 100 share index closed at the session's highest, showing a rise of 15.3 to 2,279.8.

Investment activity expanded with the upturn, although there was a hiccup when the New York market resumed easier only to rally strongly after the first hour of business.

The July rise of 2.2 per cent in the UK industrial production indices was more than double the median forecast, and lifted the annualised rate to 3.7 per cent compared with analysts' predictions of around 2.0 per cent; manufacturing output for the month showed a similar sharp improvement. A PSBR figure of £750m completed a pleasant scenario, being well below the forecast range of £1,000m to £1,500m.

Domestic investors favoured UK defence stock Plessey. Contrary to recent suggestions of a major shareholder reducing his stake to a non-disclosable interest, a large buyer was operating throughout. Several big deals went through the SEAQ trading system, including a crossed trade of 5m shares. A number of less sizeable transactions followed, raising total volume to 31m shares traded.

The activity inevitably aroused speculation of possible bid or stakebuilding moves. Siemens, the West German electronic and engineering group, was considered to be a prime candidate, but a spokesman categorically denied that it had bought any shares in Plessey yesterday.

Two leading marketmakers, Smith New Court and BZW Securities, heavily supported the stock, the latter following a major buy recommendation to clients yesterday. Jack Summerscale, electronics analyst at BZW, said Plessey shares "had been in the doldrums for some time and were ripe for a bounce."

US sources continued to display enthusiasm for **English China Clays**, **Glaxo** and **Saatchi and Saatchi**, and eventually widened their net to include financial issues **Barclays** and **NatWest**. News that Amsterdam-quoted **Akzo** was in talks which could lead to the sale of its consumer products division made little impact on the price at £52.75. US group Sara Lee is though to be the possible purchaser.

The PSBR news rescued Gilts from a soggy opening, which had reflected the sorry state of US bonds. Retail investors concentrated on the new long stock, switching portfolio positions, but there was little straight business. Traders were content to await tomorrow's monetary statistics before making any major commitments. The success of next Wednesday's auction could depend on these figures. Closing prices changes were minimal and usually confined to the index-linked area.

Coats Viyella were the focal point among drapery counters, rising 18 to 373p as the interim results exceeded all but the most outrageous market estimates.

The excellent figures led City analysts to quickly revise their profit forecasts for the full year. **BZW**, for example, expressed confidence about the group's future prospects and now anticipate pre-tax profits around the £220m mark. The securities house recommended clients to purchase Coats' shares "for international growth," highlighting the group's discount to the sector average.

Guinness Peak continued to attract a substantial business. New Zealand's Equiticorp announced it had increased its offer from 110p a share to 115p a share. At the same time it revealed an increased stake in Guinness Peat to 39.2 per cent, having acquired 11.9m Guinness Peat shares from original holders. from Forstmann-Leff. Activity was further boosted when it was announced that Robert Maxwell had bought 8.1m shares (or 2.57 per cent of Guinness Peat) which added to a holding of just below 1 per cent lifted his total stake to around 3.5 per cent. Guinness Pat shares touched 120p bid before easing to close a net 3 up at 119p after a turnover of 10m shares.

British and Commonwealth, the financial services group headed by Mr John Gunn, were unchanged at 487p following news that the wholesale broking operations of the newly-acquired Mercantile House business are now the subject of a possible takeover battle.

The businesses—comprising Marshalls money broking and Williams Street fixed interest broking activities—were originally scheduled to be sold to Mr Gary Klesch's Quadrex. Yesterday, however, rival Canadian group Crownx offered the same terms of £280m cash plus an additional sweetner of 10p cash per share to Mercantile shareholders on their acceptance of the bid from British and Commonwealth, providing the wholesale banking operations are sold to them. Crownx is stil sitting on some 15 per cent of he Mercantile House equity.

Apart from Guinness Peat the merchant bank sector was additionally highlighted by the late burst of strength in **Morgan Grenfell** which jumped from around 540p to 564p in a matter of minutes as a rumour swept markets that insurance broking group Willis Faber had sold its 20.6 per cent stake to Security Pacific; Morgan shares later eased to close a net 21 higher at 561p; Willis later denied the story. **Hill Samuel**, down to 650p early in the day, picked up to settle little changed at 657p, while **Kleinwort Benson**, reflecting the looming prospect of a £100m-plus rights issue along with the interim results due on Monday, closed 13 higher at 526p. Life insurances were mixed. Interim results from **Legal and General** were viewed as slightly disappoining—many brokers were going for an interim dividend of 4p a share and estimates of pre-tax profits had ranged up to around £40m—and L & G shares slipped from an early level of around 330p to close little changed at 327p. Tuesday's revelation of a 5.12 per cent holding in Royals by John Spalvins Adsteam, via Jomet Proprietary, say Royals slip a few pence to 565p but bid rumours lifted **Commercial Union** 6 more to 388½p.

BPB Industries came on offer as worries about increased competion within the plasterboard industry resurfaced and the close was 12 down at 330p; potential competitor **Redland** were 4 up at 491p. **Tarmac**, interim results due next Monday, were a shade off at 297p, but **Barratt**, preliminary figures due next Wednesday, added 3 to 217p. **George Wimpey** were supported at 268½p, up 3½, while **Taylor Woodrew**, still excited by news that Trafalgar House had taekn a near — 5 per cent stake in Costain, rose 14 to 474p. **Costain**, with a particular buyer showing keen interest, firmed 7 more to 381p. Elsewhere, **Wilson Bowden** rose 11 to 188p in reply to excellent half-year figures, while **Charles Church** gained 13 to 163p. "Take profits" advice in the wake of the interim results left **Travis and Arnold** 9 down at 407p, while details of a £3.8m rights issue to finance a number of property acquisitions clipped 8 from **Thomas Warrington** at 160p. **F. Copson**, which announced a fund raising exercise recently, attracted support at the lower level and moved up 25 to 345p. **Galliford** gained 5½p to 169½p following revived speculative buying in a restricted market, while **McLaughlin and Harvey** put on 16 to 293p after good figures.

Sell advice in the wake of unexciting half-year figures left **Creda International** Deferred 7 lower at 244p, but continued demand in the wake of Markheath Secrities' increased holding in the company boosted **Coates Brothers A** 5 to 353p.

Demand for leading Retailers remain selective. **Woolworth**, marked lower in immediate response to the interim profits which were described as "disappointing" by Wood Mackenzie among others, subsequently responded to "cheap" buying reflecting future prospects and settled 14 deader on balance at 356p. Widespread bullish views in the wake ofTuesday's figures lifted Mr George Davies' **Next** 18 to 358p, with sentiment given an additional boost by confirmation that the Allens chemist chain is up for sale. Other major retailers to gain ground included **Dixons**, finally 9 up at 372p, and **Storehouse** which put on 4 to 356p despite continued uncertainties concerning a possible takeover bid from Mr Tony Clegg's Mountleigh property group.

Footwear and leather counters provided a rare film feature in **Pittard Garnar** which advanced 17 to 372p following the pumper first-half profits.

Plessey overshadowed other electrical and electronic issues but **British Telecom** rallied well to close 4 up at 259½p after a turnover of 8.3m shares. **Cable & Wireless** edged up a few pence to 444p awaiting further developments after companies controlled by Li Ka-Shing announced their 4.9 per cent stake in the company. **BSR** improved 3 to 135p following the recent buy circular issued by BZW. **Sigmex**, which on Tuesday unveiled preliminary profits up from £236,000 to £1.16m, jumped a further 6 to 125p—a two-day gain of 37. **Electron House** added 8 to 177p following a newsletter recommendation.

APV Baker moved up 8 to 796p ahead of today's interim results; BZW are going for pe-tax profits of £13m, compared with £10.8m in the comparable period last year. **United Biscuits** revealed interim profits some £1m in excess of market estimates, but the price failed to respond to the news and subsequently settled 4 lower on balance at 318p. **Unigate**, on the other hand, attracted renewed support on bid speculation and firmed 12 to 380p; over 2m shares were traded yesterday, with a block of 1m shares changing hands at 377p. **Rowntree** were supported at 545p, up 7, while **Dalgety** hardened a couple of pence to 375p following comment on the results. **Booker** put on 8 at 471p and **S. & W. Berisford** 3 to 358p. **Bernard Matthews**, dull on Tuesday after poor figures, rallied 6 to 136p, but **Chambers and Fargus** encountered profit-taking in the wake of the recent good rise and settled 15 lower at 150p.

Grand Metropolitan benefited from an analysts' meeting and reports of a broker's recommendation to close 17 higher at 561p.

Contrasting trading statements prompted several outstanding movements among miscellaneous industrials. **Hollis** were the sector's firm feature, rising 17 to 145p in reply to more-than-trebled half-year profits. On the other hand, disappointing figures left **Bridon** 6 off at 189p and **J. Hewitt** 5 down at 213p. **Kalon's** results were also deemed below par and the price settled 8½ cheaper at 43½p. Elsewhere, **Feedex** attracted good support and rose 11 to 69p, but **Keep Trust** shed 25 to 603p and **Falcon** lost 7 at 98p following profit-taking.

Recent high-flyer **Spectrum** continued to trade actively in the wake of Tuesday's announcement that Mr Neil Scott, former chairman of Owners Abroad, and associates had acquired a 22 per cent stake in the company and the price touched 138p prior to closing unchanged at 128p. **Miss World** hardened a couple of pence at 230p following the half-year figures.

Lucas featured Motors, rising another 16 to 765p reflecting chart buying which in turn stimulated revived bid speculation.

Business in the Property sector was relatively thin, but prices moved higher where altered. **Land Securities** were 6 dearer at 600p and **Peachey** 9 up at 452p, while **British Land** hardened a few pence to 337p. Outside the leaders, **Glentree** rose 10 to 145p, and **Rivlin** moved up 6 to 199p. **Parkdale** found support at 203p, up 8, but **Mucklow** were unchanged at 151p following the annual results.

Mersey Docks and Harbour, the premier trading stock in the Shipping sector of late, leapt another 56 to 345p following the disclosure that Peel Holdings now controls just over 10 per cent of the equity. Charterhouse Tilney, whilst cautious over any possible setback in the proposed redevelopment of the Princes and Waterloo dock areas, still rate the shares as a "buy" stating that prospects for both port trading and property potential are better than for over 20 years.

Textiles highlighted **Hugh Mackay** which rose 20 to 313p following the sharply increased interim figures. Higher values also prevailed for **R. Smallshaw**, 185p, and **Tomkinsons**, 525p, up 35 and 20 respectively. **Corah**, however, dipped 7 to 99p in front of today's mid-term statement.

Buyers held sway among Financials, a trend no better illustrated than by **Smith New Court** which spurted 20 to 245p as buyers were heartened by chatter that the group had gleaned an increased share of market business and that brokers had subsequently raised their profit forecasts for the first-half figures whcih are scheduled for December. Elsewhere, **Candover** improved 35 to 395p in response to the interim results.

Enterprise Oil raced higher with the market said to be short of the stock and the share price put on 9 to 323p; dealers said there was some switching from **LASMO**—finally unchanged at 369p after Tuesday's poorly received interims—into Enterprise as well as genuine investment buying after a number of recent bhrokers' buy recommendations.

Overseas Traders retained a mildly firm tone—dealers reported occasional interest in **Lonrho**, **Harrisons and Crosfield** and **Boustead**—but the main feature was provided by old favourite **Titaghur Jute** which responded to speculative demand in an extremely narrow market and advanced 36 to 170p.

TRADED OPTIONS

Increased demand for traded options resulted in 44,354 contracts being transacted—a total made up of 30,520 calls and 13,834 puts. In contrast to recent sessions, dealers reported that business was relatively well distributed throughout the list of available stocks. **Boots** returned to the fore and attracted 2,382 calls, while another active and evenly-balanced business was done in **British Telecom** with 2,584 calls and 2,153 puts traded. Other classes to feature included **Midland Bank**, **Plessey** and **British Gas**.

Traditional Options

Stocks dealt in for the call included **Astra Holdings**, **Stormguard**, **Aran**, **RTZ**, **Hawtin**, **Angle United**, **Keep Trust**, **Ultramar Wheway**, **Aberfoyle**, **Greenwich Resources**, **Benjamin Priest**, **Aitken Hume**, **Bernard Matthews**, **Charles Baynes**, **Metal Box**, **Owners Abroad**, **Brown & Jackson** and **Harris Queensway**. A double was taken out in **Greenwich Resources**.

FINANCIAL TIMES STOCK INDICES

	Sep. 16	Sep. 15	Sep. 14	Sep. 11	Sep. 10	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.33	85.45	85.47	85.43	85.33	85.45	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.63	91.60	90.89	90.92	90.81	92.19	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1790.2	1775.4	1775.4	1763.8	1761.3	1275.2	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	447.2	445.8	449.5	453.0	448.9	316.6	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.27	3.29	3.30	3.33	3.33	4.35				
Earnings Yld.%(full)	8.01	8.07	8.07	8.14	8.15	10.02				
P/E Ratio (net) (*)	15.27	15.17	15.16	15.04	15.02	12.24				
SEAQ Bargains (5 pm)	31,098	31,573	39,878	47,765	34,282	—				
Equity Turnover (£m)	—	1296.23	1376.34	1247.38	1344.71	535.07				
Equity Bargains	—	40,718	52,149	49,337	38,933	17,169				
Shares Traded (ml)	—	520.4	527.6	626.7	433.8	228.6				

S.E. ACTIVITY

Indices	Sep. 15	Sep. 14
Gilt Edged Bargains	95.1	93.1
Equity Bargains	263.8	337.9
Equity Value	2620.0	2781.9
5-Day Average		
Gilt Edged Bargains	99.9	102.8
Equity Bargains	280.3	273.3
Equity Value	2547.6	2456.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1774.1	1775.4	1781.9	1788.8	1787.4	1787.2	1784.5	1786.6

Day's High 1790.2 Day's Low 1774.1. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, * Nil=15.02.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (86)

CANADIANS (2), BANKS (2), BUILDINGS (3), CHEMICALS (4), STORES (2), ELECTRICALS (6), ENGINEERING (6), FOODS (1), INDUSTRIALS (16), INSURANCE (2), LEISURE (1), MOTORS (2), PAPERS (1), PROPERTY (3), SHIPPING (1), SHOES (1), TEXTILES (4), TRUSTS (13), PLANTATIONS (1), MINES (14), THIRD MARKET (1).

NEW LOWS (4)

AMERICANS (1) Sun Co, BANKS (1) C'hgn. Hbnk., INDUSTRIALS (1) Rural Planning, PROPERTY (1) Slough Est 12¾pcLn.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	7,200	202	+6
Allied Lyons	2,100	420	+4
Amstrad	475	173	+2½
Argyll Group	2,500	214	+2½
Assoc. Brit. Foods	174	364	−1
BAT	1,800	669	—
BET	692	270	−2
BICC	191	415	−2
BOC	1,100	544	−3
BPB Inds	2,900	330	−12
BPCC	813	362	+1
BTR	2,200	352	+3
Barclays	530	578	—
Bass	640	997	+15
Beecham	3,600	550	−2
Blue Circle	715	449	+1
Boots	3,850	317	+11
Brit. Airways	5,100	199	+2
Brit. Aero	3,300	484	−10
Brit. & Comm.	622	487	—
British Gas	6,300	173	+2
Britoil	1,800	311	—
BP	7,500	364	+3
Brit. Telecom	8,100	259¼	+4½
Bunzl	674	225	+3
Burton	4,200	289	+2
Cable & Wire	1,600	444	+2
Cadbury Schwps	1,600	271	+1
Coats Viyella	4,200	373	+18
Comm. Union	7,900	388½	+6
Cons. Gold	2,000	£14¼	−0⅛
Cookson	1,500	798	−6
Courtaulds	1,200	493	+9
Dee Corpn	5,300	209	−1
Dixons Group	1,300	372	+9
English China Clays	1,900	529	+7
Fisons	3,800	337	+3
Gen. Accident	238	£10[illegible]	+0[illegible]
Gen. Elect	3,200	210½	+0½
Glaxo	660	£17¼	+0[illegible]
Globe Investment	142	178½	+0½
Granada	724	347	−2
Grand Met	4,100	561	+17
GUS "A"	267	£13½	+0¼
Guardian R.E.	151	£10¼	+0[illegible]
GKN	389	383	—
Guinness	5,900	375	−3
Hammerson	538	673	—
Hanson Trust	2,300	186	−0½
Hawker Sidd	99	577	−3
Hillsdown Hldgs	1,300	320	+5
ICI	1,300	£15⅝	+0⅛
Jaguar	627	559	+1
Ladbroke	564	450	+2
Land Securities	1,100	600	+6
Legal & Gen.	2,700	327	—
Lloyds Bank	1,700	339	−1
Lonrho	2,600	309	+1½
Lucas	1,100	765	+16
MEPC	749	566	−1
Marks & Spencer	4,000	233½	+7½
Midland Bank	1,500	509	+1
Natwest Bank	2,400	710	+3
Next	10,000	358	+18
Pearson	212	789	—
P & O	198	689	—
Pilkington Bros	1,700	289	+2
Plessey	31,000	200	+6
Prudential	506	£10	—
Racal	4,450	298½	+2½
Rank Org.	1,700	697	+7
RHM	688	334	−1
Reckitt & Col	16	£11⅛	—
Redland	2,000	491	+4
Reed Intl.	392	532	—
Reuters	871	894	+9
RMC	388	459	−6
RTZ	590	£13[illegible]	+0[illegible]
Rolls-Royce	5,700	198	−2
Rowntree	364	545	+7
Ryl Bank Scotland	300	391	−1
Royal Insurance	3,000	565	−2
STC	978	299	+0½
Saatchi & Saatchi	1,300	616	−19
Sainsbury	1,000	275	+3
Scott & Newcastle	591	250	+1
Sears	10,000	168	+2½
Sedgwick	913	292	+5
Shell Trans	2,500	£13[illegible]	+0[illegible]
Smith & Nephew	1,000	181	+2½
Standard Chart.	228	829	+3
Storehouse	6,300	356	+4
Sun Alliance	320	£11⅛	+[illegible]
TSB	1,600	145½	−0½
Tarmac	1,400	297	−1
Tesco	3,400	185	—
Thorn EMI	646	660	−1
Trafalgar House	478	372	−3
T'house Forte	1,000	250	+2
Ultramar	1,900	276	+1
Unigate	2,400	380	+12
Unilever	1,100	646	+1
United Biscuits	3,400	319	−3
Wellcome	1,800	495	+6
Whitbread "A"	725	330	+6
Woolworth	4,000	356	+0¼

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	76	26
Corporations, Dominion and Foreign Bonds	7	11	36
Industrials	433	444	709
Financial and Properties	201	128	286
Oils	26	39	49
Plantations	2	1	11
Mines	49	54	87
Others	37	144	42
Totals	765	897	1,246

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued)

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

FINLAND | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

FRANCE | NORWAY

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

Closing prices September 16

MONTREAL

Closing prices September 16

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

NYSE-Consolidated 1500 Actives

LONDON — Most Active Stocks
Wednesday, September 16, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Plessey	31.00m	200	+ 6	BP	7.50m	364	+ 3
Next	18.90m	358	+18	ASDA-MFI	7.20m	282	+ 6
Sears	18.00m	168	+ 2½	Brit Gas	6.30m	173	+ 2
Brit Telecom	8.19m	259½	+ 4½	Storehouse	6.30m	358	+ 4
Comm Union	7.98m	388½	+ 6	Guinness	5.90m	375	− 3

TOKYO — Most Active Stocks
Wednesday, September 16, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	146.65m	377	+ 7	Hitachi Ltd	31.11m	1,350	+ 30
Mitsubishi Elec	72.27m	688	+ 18	Kawasaki Steel	22.65m	317	− 2
Toshiba	56.54m	744	+ 48	Sumitomo Metal	18.54m	266	+ 2
Mitsubishi Heavy Ind	48.80m	654	+ 17	Kobe Steel	12.59m	312	− 1
Fujitsu	33.33m	1,440	+ 30	Nippon Kokan	12.31m	331	+ 1

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Coats Viyella 373	*+18*	Feedex 69	+11
Comm. Union 388½	+ 6	Grand Met 561	+17
Electron House 177	+ 8	Hollis 145	+17
Enterprise Oil 323	+ 9	Lucas Inds 765	+16
Mersey Dock Units 345	+58	Wilson Bowden 188	+11
Morgan Grenfell 561	+21	Woolworth 356	+14
Next 358	+18		
Pittard Garnar 372	+17		
Plessey 200	+ 6		
Sigmex 125	+ 6		
Smith New Court 245	+ 20		
Stewart Wrightson 555	+11		
Titaghur Jute 170	+38		
Unigate 380	+12		

FALLS:

BPB Inds 330	−12
Bridon 189	− 6
Cons Gold Fields £14¾	− ¾
Kleinwort Benson 526	−13
Travis & Arnold 407	− 9
Warrington (Thos) 160	− 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37⅞	20⅝	AAR s	.50	1.4	24	39	36	35⅞	36	+¾
52	22	ADT	.92	1.8	29	3821	51¾	51½	51⅝	+⅛
31¼	16¾	AFG s	.16	.6	10	158	28⅞	28½	28¾	+⅛
22⅞	8⅜	AGS s			20	322	21½	20¾	21¼	+⅛
9⅜	4⅞	AM Intl				490	7⅝	7⅜	7½	−⅛
65½	50½	AMR			12	2321	57⅛	56¼	56½	−⅜
27½	24⅞	ANR pf	2.67	10.		1	25½	25½	25½	−⅛
12¼	8¼	ARX s			11	55	11½	11⅜	11⅜	−⅛
73½	34⅜	ASA	2a	3.1		389	65	63¾	64⅛	−⅞
20⅛	9¾	AVX			39	731	19⅝	19⅛	19⅜	
67	41⅛	AbtLab	1	1.7	24	6790	61¼	59¾	59⅞	−1⅞
28	24¼	Abitibi g				43	24⅝	24⅜	24⅝	−⅛
16¾	9¼	AcmeC	.40	3.2	13	84	12⅝	12⅜	12⅜	−¼
10½	6⅛	AcmeE	.32b	3.6	56	27	9⅛	9	9	
23⅞	19	AdaEx	3.42e	16.		33	21¾	21½	21⅝	+⅛
19½	10¼	AdmM s	.24	2.3	8	948	10¾	d10	10½	
28⅞	12⅛	AdvSys	.62t	2.3	18	204	28	27½	27½	−⅞
24½	12⅞	AMD				2041	21⅜	20½	20⅞	
56⅜	47	AMD pf	3	5.7		65	52¾	52½	52½	−¼
11⅞	5¼	Adobe				359	8⅞	8½	8⅞	+¼
20½	14¾	Adob pf	1.84	9.6		6	19⅛	19⅛	19⅛	−⅛
21⅞	17	Adob pf	2.40	12.		10	20¾	20¾	20¾	+⅛
15	10⅜	Advest	.12a	1.0	9	91	11¾	11½	11½	−⅜
68¼	53	AetnLf	2.76	4.6	8	2576	59¾	59⅛	59⅜	−⅜
83½	26⅞	AflPb s	.32	.5	21	399	67¾	66¼	67¼	−¾
26⅞	18⅝	Ahmans	.88	4.2	7	16090	21⅛	20⅜	20⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
34⅝	11⅛	Savin				727	1½	1⅜	1⅜	
40	30⅝	SCANA	2.32	7.4	10	593	31¾	31	31¼	−½
10	8	Schr n				129	9	8⅞	9	
55¼	34¾	SchrPl s	1	1.9	22	2639	53⅛	52	52⅝	−⅝
51	30⅛	Schlmb	.20	2.7		5357	46	44¾	44¾	−¼
20¼	8¾	SciAtl	.12	.7	17	1104	17⅜	17⅛	17¼	−⅛
84¾	59¾	ScotP	1.36	1.6	16	543	84⅛	83⅛	83½	+¼
15⅞	12	Scottys	.52	3.6	20	47	14⅝	14⅛	14⅝	+¼
13	10½	SeaNA n				125	11⅝	11¼	11¼	−¼
30½	12¾	SeaCnt	.05e	.2	39	308	25⅞	25½	25½	−⅛
14¼	7¾	SeaCt pf	1.46	11.		4	13½	13½	13½	−⅛
17½	10½	SeaC pfB	2.10	13.		7	16½	16½	16½	
29¼	22⅛	TriE pf	2	7.5		82	27	26½	26¾	
64¼	51⅛	TucsEP	3.60	6.4	12	222	56¾	56½	56⅝	
16	11	Tultex s			18	173	14¼	13⅝	13⅝	−⅜
23	14⅜	TwinDs	.70	3.2	30	33	21⅞	21¾	21⅞	
55¼	31⅜	TycoLb	.48	.9	34	172	52⅞	52½	52¾	−¼
28⅛	15⅜	Tyco wi				13	26⅝	26⅝	26⅝	+⅜
15¾	11⅜	Tyler	.40	2.7	25	130	14¾	14¾	14¾	−⅛
U U U										
27⅞	16¾	UDC	2.20	13.	6	680	17½	17	17	−½
32	25½	UGI	2.04	7.4	10	180	27⅞	27½	27½	−⅛
13½	8¼	UNCInc			20	1052	u13⅝	13¼	13⅝	+⅛
13	6¾	WUTI pfA				29	12⅛	11½	11⅝	−½
73¾	51⅜	WalgE	1.72	2.5	14	4288	68⅝	67⅛	67½	−1⅛
54	34¾	Westvc	1.20	2.5	16	612	48½	47⅛	47¾	−1
80	33¾	Weyerh	.30	2.6	20	4368	51⅜	50½	50⅝	−⅞
50	45⅜	Weyer pr	2.62	5.7		14	46⅜	45⅞	45⅞	−⅜
11⅞	5⅜	vjWhPit				48	8⅝	8½	8⅝	
40⅞	29¼	Whrlpl s	1.10	2.9	15	2008	38⅞	38	38¼	−¼
28¼	18⅝	Whitehl			48	16	24⅛	23½	24⅛	+⅞
39¼	29½	Whittak	1	2.6	11	39	38⅛	37⅞	37⅞	−¼
21½	17⅝	Wickesn			7	911	18½	18¼	18¼	−⅛
10⅞	8⅞	Wick wt				64	9⅛	9¼	9¼	−¼
33⅜	26½	Wick pfA	2.50	9.1		30	27½	27½	27½	
12¾	5¼	Wilfred	.12	2.1	24	30	5¾	5⅝	5¾	+¼
26¼	10	WillcG s			20	25	25⅛	24⅞	24⅞	−⅛
36⅞	17¾	Williams	1.40	4.3		1722	32⅝	32	32¼	−⅜
8½	4½	WilshrO			51	53	6⅝	6½	6⅝	
17¾	9⅞	Winchl n	.90e	8.5		39	10⅝	10½	10⅝	−⅜
8	4¼	Winjak	.16e	3.8		4	4½	4⅜	4½	
59	42½	WinDix	1.86	4.0	17	456	46⅞	45⅝	46⅛	+⅛
15⅞	9	Winnbg	.40	3.3	17	168	12¼	12	12¼	+⅛
4¼	2⅝	Winner				13	2⅞	2⅞	2⅞	
29½	22¾	WisEn s	1.44	6.0	10	571	24⅜	24	24	−¼
55	42½	WiscPL	3.12	6.7	11	63	47⅜	46⅞	46⅞	−½
27⅝	21⅛	WisPS s	1.54	6.9	11	85	22⅝	22¼	22⅜	−⅛
47⅜	31⅛	Witco	1.12	2.7	14	174	42	41⅛	41⅝	+½
14	8¾	WolvrW			44	85	12⅜	12¼	12¼	
59⅝	37	Wlwth s	1.32	2.6	14	1366	50½	49⅝	50	−⅜
7⅜	3⅝	WrldCp				13	6⅝	6⅝	6⅝	−⅛
19¾	14⅜	WrldVl				53	19¼	19	19¼	+¼
60¼	41⅞	Wrigly s	1.04	1.8	19	94	57¼	55¾	56¼	−1
3⅞	1⅜	Wurlitzr				11	2⅜	2¼	2¼	
20⅛	11⅛	WylelLb	.32	1.7	31	173	18⅝	18¼	18⅜	−½
24⅞	16	Wynns	.60	3.0	16	24	19¾	19⅝	19¾	+⅛
X Y Z										
85	51	Xerox	3	3.8	17	4948	79⅛	77¾	78½	
58¼	53⅜	Xerox pf	5.45	10.		122	53¾	53⅝	53¾	+¼
31½	21½	XTRA	.64	2.2	23	143	29	28¾	28⅞	−⅛
31¾	15	Yorkln			15	285	u32⅛	31¼	32⅛	+⅝
7¼	2½	Zapata				272	5½	5¼	5¼	−⅛
32⅞	20¾	Zayre	.40	1.3	11	4077	30½	29⅛	29¾	−⅞
14¾	9¾	Zemex	.40	2.9	9	14	13¾	13⅝	13⅝	−⅜
33⅝	18⅞	ZenithE			112	776	28½	27⅞	28	−⅝
13½	6¼	ZenLab				1715	8	7⅝	7⅝	−⅛
28½	18¾	ZenNtl	.80	3.6	13	209	22¼	22	22¼	+¼
20⅛	12⅝	Zero	.36	2.0	16	35	18⅝	18	18¼	
30⅛	17½	Zurnln s	.68	2.6	18	309	26⅞	26⅜	26½	−¼
10⅜	8¾	Zweig n	.85e	8.4		617	10⅛	10⅛	10⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution, xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Blue chips fall amid currency, bonds worries

WALL STREET

STABILITY eluded Wall Street yesterday as a late decline extended Tuesday's setback in blue chips to more than 3 per cent for the two days, *writes Gordon Cramb in New York.*

The Dow Jones industrial average, moving narrowly either side of overnight levels until mid-afternoon, gave way to worries in the bond and currency markets, finishing 36.39 lower at 2,530.19. Volume increased sharply to 195.7m shares from 136.2m, and the NYSE composite index lost 1.47 to 176.51. Of its constituents, only 509 advanced and 1,016 fell back.

Analysts appear agreed that the course of interest rates in the US, themselves subject to the direction of the dollar, is being taken as the clearest determinant of whether stocks can sustain an upward movement and set aside an uncomfortable few weeks.

According to economists at Griggs and Santow, most analysts expect long-dated federal bond yields to emerge by the year-end more likely at 10 per cent than 9 per cent but draw some comfort from the belief that this range should not be exceeded by any great margin.

In the stock market, Newmont Mining remained actively dealt but at \$99¾ let go \$2 of a \$5⅞ gain the previous session as the market evaluated the chances of Mr Boone Pickens's Ivahoe in pressing through its \$105 a share revised bid. The 90 per cent owned Newmont Gold at \$45¼ lost \$1⅛.

Utilities, not much moved overall in price terms, were featured by Detroit Edison. In far and away the busiest volume, it edged \$⅛ lower to \$15⅞ before going ex-dividend today.

W. R. Grace put on \$⅞ to \$68 on news that it was to take into commercial development an emissions control system for coal-fired power stations and that it was to buy a tool division of NL Industries, itself steady at \$9⅝. Fluor, the contracting and coal group which overnight reported a further loss, shed \$⅜ to \$17¾.

On the technology boards IBM was accorded an initial \$1¾ rally on further reflection of the arbitration finding in its copyright tussle with Fujitsu but was later dragged \$⅞ lower to \$156⅞. Digital Equipment lost \$⅞ to \$186⅞.

Singer rose \$3¼ to \$55¼, unrestrained by an overnight disavowal from Hercules that it might be preparing a bid for the aerospace and marine electronics group. Hercules came down \$1⅛ to \$61⅞, continuing a poor response to terms of its deal with Montedison of Italy, which is buying its share of Himont – the polypropylene maker eased \$⅞ to \$45.

The retailers were another focus. The Limited was down a further \$¾ to \$38¼ in active dealings after a \$1½ fall on Tuesday continued a poor patch. Carter Hawley Hale, which expects a wider quarterly loss, shed \$¼ to \$13½, and Gap, a clothing chain, slid \$2⅞ to \$55½.

Crazy Eddie, the troubled electronics chain, firmed \$⅛ to \$4⅝. Mr Eddie Antar, its founder, halved his stake to 4.7 per cent while the company separately announced a Motorola contract to install and service its cellphones.

Mattel, the toys supplier, was actively dealt and gained \$⅝ to \$15¼ on speculation of a bid from New World Entertainment, which shed \$½ to \$8.

Aaron Spelling Productions firmed \$⅛ to \$8⅞ despite warning of lower earnings. Cannon Group, the embattled film production house, revived \$⅜ to \$4½.

The Detroit automotive sector continued to monitor the labour talks which yesterday showed signs of reaching a conclusion at Ford, the benchmark deal from which others will be drawn this year. However, there was also the prospect of an increased Honda presence in the US car industry if it goes ahead with a second plant.

Ford let go \$⅝ to \$104 and Chrysler, contending with a Canadian strike, lost \$1 to \$42¼. General Motors, up an early \$1⅜, ended \$⅛ weaker at \$87½. It took advantage of tax benefits to push \$1.04bn of preferred stock into its pension plan.

Among oil and gas issues Amoco dropped \$⅜ to \$77½. It may improve its stalled bid for Dome Petroleum of Canada. Exxon was \$⅜ lower at \$46 while Chevron lost \$1⅜ to \$52.

Credit markets were resilient at the short end as the Federal Reserve offered \$1.5bn of customer repurchase arrangements and announced four and seven-day system repurchases starting today. This left federal funds at 7⅛ per cent after opening higher at 7³⁄₁₆, and three-month Treasury bill yields came four basis points lower to 6.51 per cent.

However, the 2017 long bond, which bears a 8⅞ coupon, shed ¹¹⁄₃₂ to a price of 92 where it was yielding 9.69 per cent.

CANADA

INDUSTRIALS and mining issues continued to sag in Toronto, depressing prices overall despite strength in oil and gas issues.

Of the latter, Texaco Canada climbed C\$¼ to C\$33⅞, Imperial Oil class A C\$⅜ to C\$73⅜ and Gulf Canada C\$⅛ to C\$24⅞.

In mixed golds Echo Bay Mines *rose C\$1⅛ to C\$38⅞, but the recently merged Placer Dome dipped C\$¼ to C\$26.*

Falconbridge and Inco led mines lower, falling C\$¼ each to C\$28½ and C\$27½ in turn. Rio Algom was C\$⅛ down at C\$7⅞.

Banks were mildly firmer, with Bank of Montreal up C\$⅛ at C\$32⅞ and Canadian Imperial Bank higher by C\$⅛ at C\$22.

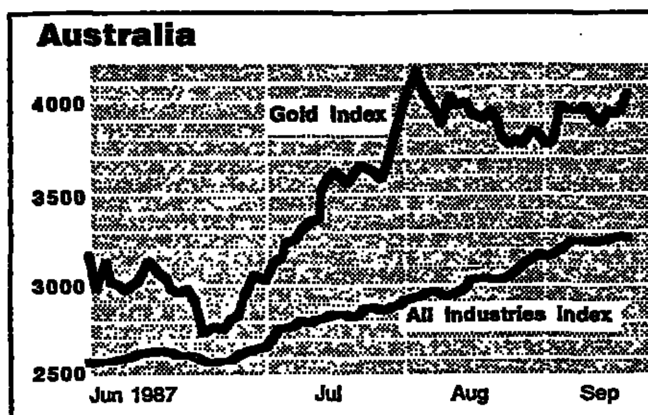
Montreal and Vancouver were both higher.

Australian shares soar on budget news

THE *AUSTRALIAN* stock market yesterday surged to fresh record highs in a bullish reaction to Tuesday's federal budget projecting a near-zero deficit and foreshadowing interest rate falls.

A prompt decision by the major trading banks to lower their key lending rates, together with encouraging balance of payments figures for August, added to the day's momentum, and trading was heavy.

Rises were across the board, but the biggest trading was concentrated on blue-chip stocks. The widely-watched All-Ordinaries index, covering 280 companies in all sectors, jumped 43.3 points to finish at 2,274.4.



Other indices performed similarly: the All-Industrials rose 72.1 to 3,359.0, the All-Resources put on 21.5 to 1,442, and the Gold index surged through the 4,000 barrier to finish 62.7 higher at 4,018.8.

The market finished off its best levels: at noon the All-Ordinaries index stood 48 points higher at 2,279.0. Overall, an estimated 218m shares worth some A\$566m (US\$413m) changed hands, and rises outnumbered falls by two to one.

Retailers, builders, property groups and transport companies were deemed most likely to benefit from interest rate falls and showed the strongest rises.

They included retailers David Jones, up 80 cents at A\$14.10, and Coles Myer, 22 cents higher at A\$9.36, and property stocks Lend Lease and Hooker, jumping A\$1.20 to A\$18.60 and 30 cents to A\$5.30, respectively. Building materials company Boral put on 38 cents to A\$6.68, and transport group TNT added 34 cents to A\$6.90.

Pacific Dunlop, the diversified rubber products group which reported higher profits yesterday, rose 12 cents to A\$5.70. Adelaide Steamship, which has bought a 5 per cent stake in Royal Insurance of the UK, was up 10 cents at A\$10.80.

Some mining companies and resources groups also performed well, with Western Mining up 20 cents at A\$10.20, and BHP and CRA gaining 30 cents to A\$10.90 and 20 cents to A\$11.10, respectively.

In value terms the most heavily traded stocks included BHP, Bell Resources, which closed 10 cents up at A\$5.50 and News Corporation, steady at A\$23.50.

On the Sydney Futures Exchange, September share price index futures finished at 2,299, up from 2,286.5. December futures closed at 2,380, up from 2,370. Volumes were at record levels, with 56,440 contracts traded by 5pm local time. The previous record was just over 39,000.

Chris Sherwell

EUROPE

Hovering dollar subdues Frankfurt and Brussels

WARINESS over the dollar's direction and Wall Street's steep overnight drop subdued the bigger European exchanges. Madrid, however, regained its record-breaking pace.

Frankfurt closed down but off the day's lows as a late rally pared earlier losses caused both by pessimism over transatlantic signals and a further fall in domestic bond prices. The mid-session Commerzbank index was 25.6 off at 1,983.3.

Export-oriented issues were still blighted by the hovering dollar, which fell further to DM1.8123 at the fix. Chemicals suffered, with BASF DM1.60 lower at DM336.90 and Hoechst DM1.50 down at DM326. Bayer dipped DM1.10 to DM360.50.

BMW fared worst among weak cars with a DM9 tumble to DM747, Daimler lost DM9.50 to DM1,088 and VW fell DM3 to DM397. Electronics share Siemens gave up a further DM4 to DM661, but in the same sector AEG rebounded from an early drop to stay at DM337.

A late rally lifted retailer Karstadt DM2.50 to DM582 in a mixed sector, with Horten 50 pfg down at DM234.50 and Kaufhof DM3 lower at DM507.

Banks also softened, Deutsche by 80 pfg to DM697, Dresdner by DM2.50 to DM363 and Commerzbank DM1 to DM304.50.

Engineering group MAN was pulled down 80 pfg by the lower market to DM190.20 after reporting a 5 per cent rise in net profits.

Public authority bonds fell by almost a point, with the Bundesbank buying DM82.8m of paper against DM106.1m bought on Tuesday.

Brussels took a knock from Wall Street's fall and despite a mild pre-closing rally the cash index ended down 56 at 5,198.59.

Petrofina shadowed the rally, recovering from an early BFr450 fall to close BFr300 off at BFr13,150. Holdings, however, continued weak, and Réserve shed another BFr50 to BFr3,740 and Sofina BFr150 to BFr15,100.

Ebes dropped BFr90 to BFr4,750 and Electrafina BFr170 to BFr7,500 in utilities. Selected industrials, though, managed modest gains, with Solvay up BFr150 to BFr14,500 and fellow chemicals UCB and Tessenderlo each rising BFr50 in its wake to BFr10,700 and BFr6,000 in turn.

Cement issue CBR closed off BFr20 to BFr6,180 despite announcing better than expected first-half results.

Zurich was mixed in fair trade, with the dollar's weakness provoking only mild profit-taking.

Banks were lower on balance, with Union Bank SFr50 down at SFr4,925 but Crédit Suisse steady at SFr3,400. Insurers followed suit, with Swiss Ré and Winterthur each losing SFr50 to SFr17,800 and SFr6,700. Zurich gave up SFr150 to SFr7,200. Chemicals were barely changed.

Paris eased following the budget although dealers said most measures had been discounted. However, the market was somewhat depressed by Economics Minister Mr Edouard Balladur's remarks that prospects of an interest rate cut were remote.

Banks suffered. UCB gave up FFr9.10 to FFr299.90 and UIC FFr26 to FFr1,174. UFB was off by FFr13 at FFr601 – a low for the year.

Prouvost resumed trading after Monday's suspension to notch the day's biggest climb, FFr42 to FFr660. The group has been subject to intense takeover speculation since Chargeurs boosted its stake in the textiles company.

Milan rose broadly after a string of weak sessions. Analysts said Tuesday's fall was uncharacteristic for the opening of a new trading account and that Wednesday's rise indicated a spate of domestic bargain-hunting.

Among the bigger industrials Fiat climbed L235 to L10,355 while its holding company IFI leapt L1,700 to L23,000 amid intense interest from mutual funds.

Amsterdam slipped slightly in dull trade amid caution over the direction of US stocks in early trade in New York. The CBS all-share index was 1 off at 102.9.

Akzo closed 90 cents up at Fl 177.50. It said it had begun talks which could lead to the sale of its consumer products division.

Madrid jumped to a new peak amid market optimism over forthcoming inflation figures. The general index closed up 3.5 at 319.61.

Banks led the advance, with Banco de Bilbao 44 percentage points higher at 1,904 per cent of nominal market value.

Stockholm closed lower after see-saw session. The Veckans Affarer all-share index dipped 1.5 to 1,170.1.

Oslo also fell slightly on profit-taking and in the absence of fresh stimulatory factors. The all-share index was off 0.18 at 420.93.

Helsinki pitched its fourth successive all-time high. The Unitas general index was up 4.7 at a record 641.8.

LONDON

STRONG industrial production figures and a lower than expected public sector borrowing requirement for August offset the dampening effect of Wall Street's sharp overnight fall to leave London equities higher.

The FT-SE 100 index closed up 15.3 at 2,279.8 while the narrower FT Ordinary index was up 14.8 at 1,790.2.

Gilts rallied from a weak start to close little changed over the session. Details, Page 36.

NZ stocks rediscover record territory

By Dai Hayward in Wellington

FOR the second day in succession both the New Zealand share market and the New Zealand dollar climbed to record heights yesterday.

The Barclays share index jumped 23.82 points to reach 3,941.82 after a 21-point rise on Tuesday which broke the previous all-time high of 3,912 set on November 10 last year.

The market has more than recovered the slide in the early months of this year and now seems set to break through the 4,000 level within a few weeks.

The index, which gained an extra tonic yesterday from the Australian budget, has been fuelled this week by big jumps on Brierley investment shares and other market leaders.

Yesterday Brierley closed up 5 cents at NZ\$5.30, the Bank of New Zealand was 10 cents higher at NZ\$2.40 and Robert Jones Investments also rose 10 cents to NZ\$3.18.

The current boom on the stock market comes mainly from institutions and corporate investors rather than from the multitude of small investors who sent the market to dizzy heights in 1985

The New Zealand dollar set a record against the US dollar yesterday, reaching 63.6 US cents before falling back to 63.5.

On Tuesday the Kiwi dollar broke through 63 US cents. When it was floated by the Labour Government in March 1985 it was worth 44 US cents.

Yesterday's bullish activity on the stock market and in the foreign exchange area was despite a gloomy forecast by the Institute of Economic Research which now rejects its own earlier predictions that New Zealand inflation will drop to single figures by next March. Finance Minister Mr Roger Douglas has consistently quoted this prediction.

The institute's report is not due for release until next week, but it has confirmed that it now believes inflation will still be above 10 per cent in March.

The report is also believed to claim that the Government has overestimated the amount of revenue it will receive by about NZ\$1bn (US\$633m). This means the Government's forecast of a budget surplus of \$379m would be turned into a large deficit.

SOUTH AFRICA

THE LOWER bullion price pulled Johannesburg gold stocks lower in an otherwise trendless session.

Among the heavyweights Vaal Reefs dipped R6 to R448, Randfontein R3.50 to R430 and Freegold R1.50 to R54.50.

Mining houses were virtually unchanged and industrials mixed. Sasol found some support, though, to rise 10 cents to R13.60.

ASIA

Late high-techs rally nudges Nikkei higher

TOKYO

AFTER opening weakly in the shadow of Wall Street's tumble, Tokyo share prices later edged higher as investors sought high-technology stocks, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average added 13.71 to 24,967.73 on turnover of 821.64m shares, up from Monday's 750.34m. The exchange was closed on Tuesday for a holiday. Losers outpaced gainers 541 to 356, with 148 issues unchanged.

Despite the bearish mood, Fujitsu drew morning buying apparently on the strength of the resolution of its software copyright dispute with IBM. The stock advanced Y30 to Y1,440, surpassing its previous high for the year of Y1,420 registered last month. Its turnover was fifth most active at 33.33m shares, but second in yen terms.

Other major high-technology stocks were weak until a spate of buying shortly before the close when the yen sagged to around 144 to the dollar. Mitsubishi Electric jumped Y18 to Y688 on the second heaviest trading of 72.27m shares and Toshiba Y48 to Y744 on the third largest turnover of 56.54m shares.

The Tokyo Stock Exchange temporarily suspended trading in these issues because of a massive placement of orders. One dealer said that investors were bargain hunting after the stocks had fallen on rumours of the companies' possible violation of Co-ordinating Committee (CoCom) rules.

Hitachi also rose Y30 to Y1,350, but NEC fell Y10 to Y2,130. Matsushita Electric Industrial closed unchanged at Y2,570.

Among large-capital issues, investors selected Nippon Steel and Mitsubishi Heavy Industries, which picked up Y7 to Y377 and Y17 to Y685, respectively. Nippon Steel was by far the most heavily traded issue, with transactions reaching 146.65m shares.

Mitsubishi Heavy Industries was fourth-busiest with 48.89m. Sumitomo Metal Industries added Y2 to Y266, but Kawasaki Steel lost Y2 to Y317.

Stocks related to Nippon Telegraph and Telephone continued to find support, with Fuji Electric jumping Y35 to Y605. Oki Electric closed Y12 higher at Y875 and Furukawa Electric Y34 up at Y925.

By contrast, domestic demand-related issues lost ground. Among these, Tokyo Electric Power was down Y40 to Y6,190, and Tokyo Gas slid Y5 to Y995.

Financials and contractors also weakened. Sumitomo Bank dipped Y30 to Y3,670, Sumitomo Trust and Banking Y50 to Y3,510 and Ohbayasi Corp Y13 to Y997. Pharmaceuticals were neglected, and Takeda Chemical fell Y60 to Y3,200 and Daiichi Seiyaku finished Y60 lower to Y3,410.

Bond prices, which shot up on Monday on professional speculation, continued declining throughout the day. A rise in US long-term interest rates raised investor fears of a further rise in the US official discount. Dealers were inactive, and inter-dealer trading was low at Y250bn, little over 10 per cent of usual levels.

Prices turned down slightly on the Osaka Securities Exchange, with the OSE stock average dipping 21.60 from Monday to 25,665.60 on trading estimated at 142.29m shares, up 31.02m.

Nintendo nose-dived Y300 to Y11,000 and Ono Pharmaceutical tumbled to close Y110 cheaper at Y7,450 while Tateho Chemical suffered a daily limit loss of Y100 to Y746. However, investors hunted high-tech stocks, pushing Rohm up Y230 to Y5,240.

HONG KONG

HEAVY switching of stocks and rumours of a further rights issue pushed turnover in Hong Kong to a record and dragged the Hang Seng index sharply lower to 3,604.64, a fall of 42.28.

Volume soared to HK\$3.34bn from HK\$1.61bn on Tuesday, breaking the previous record of HK\$3.31bn in February 1985. The *Hong Kong index fell 23.92 to* 2,372.20.

Institutions were selling stock in order to avoid exceeding portfolio limits in the wake of the mammoth Cheung Kong group rights issues. The group's shares, which returned to trading after a two-day suspension, saw Cheung Kong lose 30 cents to HK\$12.60.

Rumours that other property groups would embark on fund-raising exercises unsettled the market. Wharf Holdings lost 10 cents to HK\$10, Sun Hung Kai 10 cents to HK\$18.30, Hongkong Land 5 cents to HK\$8.30 and Sino Land 10 cents to HK\$5.35

SINGAPORE

THE DULL trend persisted in Singapore, with the Straits Times industrial index shedding 17.15 to 1,434.20 in very thin trading of 14.7m shares.

Trading is expected to remain fairly quiet until investors get used to the new settlements system.

The most active stock was Tan Chong Motors, down 4 cents at 91 cents on 960,000 shares.

Profit-taking again hit blue chips, with DBS falling 50 cents to S\$16.30, Fraser and Neave down 20 cents to S\$13.80 and Singapore Airlines off 30 cents at S\$14.50.

KLSE seeks to tighten rules on reporting deals

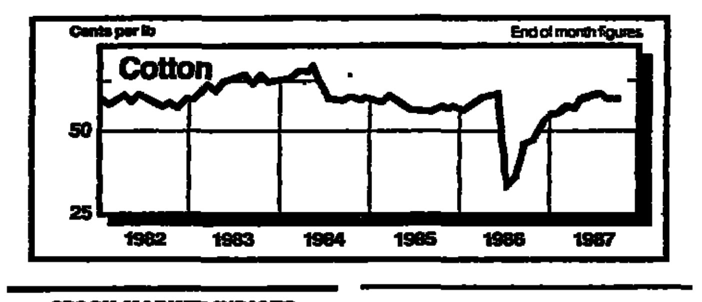
THE KUALA LUMPUR Stock Exchange (KLSE) said yesterday it wanted all direct deals which do not go through the trading floor to be reported so that the exchange knows the true size of the securities business in Malaysia, *Reuter reports from Kuala Lumpur.*

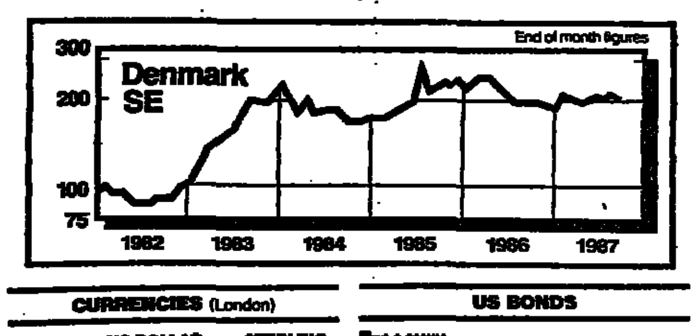
The KLSE said in a circular to members that it would table this resolution at an extraordinary general meeting of members on September 28. Such deals do not have to be reported at present, meaning that exchange turnover figures may not reflect actual business.

Arbitrage deals, popular with local brokers, would have to be reported under this proposal,

It is also seeking approval for a resolution to introduce graduated commissions from October 1, in line with Singapore's new rates. These would stipulate a 1 per cent commission for deals of under 250,000 ringgit (\$100,000), decreasing at the rate of 0.1 percentage points for every 250,000 ringgit rise.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Sept 16	Prev	Year ago
DJ Industrials	2,530.19	2,566.58	1,778.54
DJ Transport	1,024.76	1,033.46	739.25
DJ Utilities	195.71	197.25	199.93
S&P Comp.	319.21*	317.90	231.72
LONDON FT			
Ord	1,790.2	1,775.4	1,262.2
SE 100	2,279.8	2,264.5	1,596.70
A All-share	1,165.19	1,158.17	793.74
A 500	1,276.77	1,268.50	871.85
Gold mines	447.2	445.8	316.6
A Long gilt	10.02	9.99	9.99
World Act. Ind (Sept 15)	134.67	135.26	94.46
TOKYO			
Nikkei	24,967.73	closed	17,463.2
Tokyo SE	2,061.71	closed	1,444.68
AUSTRALIA			
All Ord.	2,274.5	2,230.6	1,224.4
Metals & Mins.	1,430.8	1,410.4	625.4
AUSTRIA			
Credit Aktien	218.33	217.45	237.53
BELGIAN SE			
SE	5,142.40	5,193.50	3,908.09
CANADA			
Toronto			
Met.& Mins.	3,216.5	3,235.5	2,161.58
Composite	3,908.4	3,921.7	2,998.9
Montreal			
Portfolio	1,936.27	1,939.90	1,510.14
DENMARK SE			
SE	n/a	204.08	195.41
FRANCE			
CAC Gen	426.00	428.70	365.8
Ind. Tendance	110.30	111.10	89.58

WEST GERMANY			
FAZ-Aktien	644.43	651.77	675.82
Commerzbank	1,983.30	2,008.80	2,035.0
HONG KONG Hang Seng	3,604.64	3,646.92	1,297.97
ITALY Banca Comm.	601.96	588.33	768.20
NETHERLANDS ANP CBS			
Gen	n/a	n/a	288.1
Ind	n/a	n/a	292.5
NORWAY Oslo SE	563.45	565.40	376.97
SINGAPORE Straits Times	1,434.20	1,451.30	820.69
SOUTH AFRICA JSE			
Golds	—	2,296.0	1,942.0
Industrials	—	2,204.0	1,369.0
SPAIN Madrid SE	319.61	316.11	192.07
SWEDEN J & P	3,129.20	3,124.50	2,512.80
SWITZERLAND Swiss Bank Ind	702.30	704.60	556.9

COMMODITIES (London)

	Sept 16	Prev
Silver (spot fixing)	463.35p	469.40p
Copper (cash)	£1,092.50	£1,094.50
Coffee (Sept)	£1,272.50	£1,267.50
Oil (Brent Blend)	\$18.60	\$18.555

GOLD (\$/oz)

	Sept 16	Prev
London	\$458.50	\$459.50
Zürich	\$458.55	\$459.05
Paris (fixing)	\$457.96	\$458.90
Luxembourg	\$459.75	\$457.55
New York (Dec)	\$465.10	\$465.90

CURRENCIES (London)

	US DOLLAR Sept 16	US DOLLAR Previous	STERLING Sept 16	STERLING Previous
\$	—	—	1.6455	1.6425
DM	1.8155	1.8170	2.9875	2.9825
Yen	144.35	144.40	237.50	236.50
FFr	6.0525	6.0575	9.9600	9.9500
SFr	1.5055	1.5055	2.4775	2.4725
Fl	2.0425	2.0405	3.3600	3.3525
Lira	1,309	1,310	2,154	2,152
BFr	37.65	37.60	61.95	61.72
C\$	1.3180	1.3150	2.1705	2.1590

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 16	Prev
£	9¹⁵⁄₁₆	10
SFr	3⅞	3⅞
DM	3¹³⁄₁₆	3¹³⁄₁₆
FFr	7⁷⁄₁₆	7
FT London Interbank fixing (offered rate)		
3-month US\$	7⅞	7¹⁵⁄₁₆
6-month US\$	8⅛	8
US Fed Funds	7⅛*	7⅞
US 3-month CDs	7.25*	7.15
US 3-month T-bills	6.325*	6.33

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 16				
(Sept)	83-17	83-18	82-10	83-12
US Treasury Bills (IMM) \$1m points of 100%				
(Sept)	93.60	93.63	93.56	93.60
Certificates of Deposit (IMM) \$1m points of 100%				
(Sept)	n/a	n/a	n/a	93.98
LONDON				
Three-month Eurodollar \$1m points of 100%				
(Sept)	91.53	91.59	91.50	91.58
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	113-28	113-29	113-29	114-05

US BONDS

Treasury

	September 16 Price	September 16 Yield	Prev Price	Prev Yield
7⅞ 1989	98¹³⁄₃₂	8.329	99⁄₃₂	8.275
7 1994	93¹⁄₃₂	9.317	93²³⁄₃₂	9.252
8⅛ 1997	94¹⁄₃₂	9.517	94²¹⁄₃₂	9.45
8⅞ 2017	92	9.698	92¹¹⁄₃₂	9.437

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	September 16 Price	September 16 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92	7.10	92	7.09
SCBT South Central 10⅞ Jan 1993	100.875	10.66	101	10.63
Phibro Sal 8 April 1996	88.35	10.45	87.10	10.30
TRW 8⅞ March 1996	91.65	10.25	92.18	10.15
Arco 9⅞ March 2016	92.67	10.70	93.51	10.60
General Motors 8⅞ April 2016	77.14	10.70	77.66	10.60
Citicorp 9⅞ March 2016	84.43	11.20	85.16	11.10

Source: Salomon Brothers

* Latest available figures